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ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2329

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26 October 1982

## EAST EUROPE REPORT

### ECONOMIC AND INDUSTRIAL AFFAIRS

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## ACHIEVEMENTS IN GRAIN PRODUCTION

### Production in Sliven Okrug

Sofia KOOOPERATIVNO SELO in Bulgarian 3 Sep 82 p 2

[Article by Stefan Karadobrev, correspondent of KOOOPERATIVNO SELO from Sliven: "Generous Repayment for Hard Work"]

[Text] "Last year, we promised the BCP okrug committee that we would produce 500 kg of wheat and 450 kg of barley per decare, while the 29 high-producers would provide, respectively, 600 and 550 kg. In essence, this was a high, hitherto unachieved goal. It is a pleasure to report now that the agricultural personnel, skillfully led and constantly supported by the okrug and obshtina party committees, have worthily fulfilled the adopted promise."

These were lines from the statement read by Zlatka Pavlova, the deputy chairman of the ONS [okrug people's council] executive committee and the chairman of the OAPS [okrug agroindustrial union], to a meeting held after the harvest to report on the results. Against the background of this very general statement, what has been achieved in grain production also shows specific changes. For wheat there has been 528 kg per decare and for barley 506 kg. It is also pleasing to point out that while last year only 14 brigades obtained a harvest of over 500 kg, and 10 did this for barley, at present their number has doubled and tripled, in other words, more than 70 percent of the brigades produce a half ton of grain per decare. The competition and mutual aid between the collectives and the increased work criteria have made it possible for 5 brigades to obtain more than 700 kg of wheat and barley per decare, and 16 produce over 600 kg. Again, the highest results have been at the APK [agroindustrial complex] in Nova Zagora. Here the average wheat yield on 93,200 decares was 610 kg and for barley on 44,300 decares, 579 kg. This year the first place of the Nova Zagora workers in grain production is being challenged by the APK in Kermen with an average wheat harvest of 608 kg. The okrug's state wheat plan was overfulfilled by 25,000 tons and for barley by more than 12,000 tons.

The period which determined this jump in the production of winter grains in the okrug extends beyond a single five-year plan. However, during it very much was done to increase production than during previous years, while with great

effort the 400-kg mark was achieved only in 1980. Just 2 years later, the harvest of wheat and barley surpassed a half ton of grain per decare.

One can scarcely speak about any miracle as this rarely happens in farming, particularly if you expect the earth to produce as much as one needs. The Sliven farmers could seriously expect a generous repayment in grain production if they themselves do not force the earth to produce more. Even a cursory glance at the soil and climatic conditions in the okrug is sufficient to answer precisely why this is the case. Nearly a quarter of the area on which winter grains have been grown for years running, for example, is not in a condition to provide the designated yields. These include the lands of the APK in Kotel and a portion of them in the APK in Blatets, Tvurditsa and Gavrilovo. Very frequently the winter grains in the okrug were hit by drought. This also impeded the preparation and planting itself, the sprouting of the seed and the development of the plantings. Ordinarily the winters are without snow, they are accompanied by severe storms and low temperatures. When the end of spring arrives, precisely when the grain begins to fill out, the dry winds begin and these always "steal" a good deal of the already-grown crop. In years with abundant rainfall, in many regions the plantings are flooded.

With these difficult production conditions, it is essential to obtain ever-higher harvests in order to produce more and less expensive grain. Previously there have been high achievements here but only on certain brigades and farms. The solution to the strategic grain problem required that the achievements of individual collectives become a mass practice. The leadership of the okrug and of the APK as well as the specialists must be praised for having correctly understood and promptly realized the great aid which science with its achievements, technical progress and the experience of the pacesetters could provide in this area. The "harnessing" of these possibilities in production contributed substantially to increasing farming practices, to the bringing of these into accord with the specific soil and climatic conditions in each rayon and the carrying out of specific farming measures for the individual development stages of the plantings.

One example here. Last autumn was dry and in spite of the prompt planting, the seed was late in sprouting and a portion of the plantings fell behind in their development. With the aid of specialists from scientific institutes in the town of General Toshevo and Karnobat, all the plantings were inspected early in the spring and their condition was established. This introduced the required concreteness in carrying out the subsequent measures in this season and particularly the basic measure of top-dressing. This was carried out on a differentiated basis, with increased doses for the plantings which had fallen behind in their development. The result was that the plants rapidly recovered. On many farms (Kon'ovo, Lyubenova Makala, Stoil Voyvoda and Zagortsi), the plantings were exemplary.

The extensive use of scientific achievements introduces the necessary clarity also in the presowing preparations with monocrop tending of the wheat and barley and in the correct carrying out of the integrated process of using chemistry in production. Obvious successes have been achieved in terms of the varietal structure. The task in this area is to test out under the local conditions

what is still in the process of study at the scientific institutes. When the most valuable varieties have been established, the APK in the district should already have sufficient seed from them for mass multiplication. In this area the okrug is working in close collaboration with the institutes in General Toshevo and Sadovo. Due to this cooperation, an optimum varietal structure for barley and wheat is being created now and there are the necessary conditions for improving it in the aim of best meeting the future requirements.

An important aspect in grain production in the district is its organization. Here the basic thing is the establishing of a new type of brigade as the basic productive unit. The efforts of the okrug and obshtina party committee, of the OAPS and the APK are to organize them most correctly, in establishing for each brigade an optimum area for cultivation, technical equipment and leadership. These efforts have been successful. Presently the okrug has 22 of the new type brigades and these tend more than 63 percent of the winter grains and actually have the largest share of the obtained results. Their leadership correctly understands the responsibility of the problems which must be solved. This was apparent at the start of this year when in their counterplans, the collectives of the new type brigades assume an obligation to produce 20,000 tons of grain above the state quota, an obligation which they have honorably carried out.

Among the best known brigades are those of the Hero of Socialist Labor Rusi Rusev from Kon'ovo, Mincho Dimitrov from Lyubenets and Gospodin Dinev from Lyubenova Makala. These obtained more than 500 kg of wheat per decare. The brigades of Din'o Khalkov of Zagortsi, Georgi Dimitrov of Byal Kladenets and Georgi Genchev of Sudievo each obtained over 600 kg of barley. Other elements in the organization of grain production are the studying and popularizing of advanced experience, the competition, material and moral incentives. Five brigades in the okrug are among the founders of the national club of high grain producers. This year other collectives have applied for membership in this club. Eight of the members of the district club of high producers are grain producers. All of this is an additional incentive for the brigade collectives and an incentive for them to rank among the best in the okrug and in the nation. This incentive can also explain the high results in wheat and barley production this year.

...A significant success has been achieved in carrying out the major orders which the party has set in agriculture, that is, to constantly increase grain production. At present the Sliven farmers are preparing for the crop which they will harvest in the coming summer. The areas have been indexed, the seed has been cleaned, the varietal structure has been clarified and the grain fields prepared. They are working with a desire and ambition to surpass this year's results.

#### Progress in Barley Growing

Sofia KOOOPERATIVNO SELO in Bulgarian 3 Sep 82 p 2

[Article by Sr Science Associate and Candidate of Agricultural Sciences Todor Stefanov, director of the Barley Institute in Karnobat: "The Possibilities of Barley are Greater"]

[Text] The carrying out of the major strategic task confronting agriculture for producing more grain during the 8th Five-Year Plan is impossible without

introducing the newest scientific achievements and advanced experience into practice and without turning science into the main productive force.

In terms of the average barley yields, Bulgaria surpasses its Balkan neighbors significantly and equals many of the Middle European nations. The use of highly productive varieties and new intense growing methods have played a decisive role in the achieving of high results in barley production.

In this area the contribution of world and Bulgarian plant breeding has been enormous. At present, the widely produced varieties of winter feed and brewing barley as Mirage, Alpha, Gerbel, No 468 and others most fully meet the present-day production requirements. Under experimental and production conditions, the designated varieties in recent years have produced from 800 to 1,100 kg of grain per decare.

Moreover, at present, the State Varietal Commission is testing a number of new varieties and lines of Bulgarian and world breeding such as the fodder barleys Karnobat-2013, 2014, 2015, No 4676, Pirat and the brewing barleys such as Karnobat-101, 102, 1009, 1010 and others. These in terms of productivity and other agricultural features surpass the presently widespread varieties of Mirage and Alpha.

Along with this, on the basis of many years of research, in precise experiments of model and production testing, the institute has worked out and has submitted for application in production during 1981-1982 an intense method for barley production and a technique for growing it with nonsystemic crop rotation (after stubble predecessors). We have not only presented these methods but have also taken an active part in realizing them in production from the preparation of the soil and sowing to harvesting. The results have not been long in coming. In Burgas and Sliven okrugs, they have obtained more than 500 kg of grain per decare on the entire planted area. A high increase in barley production has been achieved in Yambol, Stara Zagora, Plovdiv, Varna and other okrugs with which the institute maintains very close ties. For the 1982-1983 growing year, these methods have been adjusted according to the conditions of the individual rayons and okrugs.

A major goal and obligation which we have set for ourselves at present is to provide specific instructions to optimize the growth and development of the plants under the difficult range of conditions and the unstable nature under which these processes occur.

In recent years barley has been leaving the soils which are most suitable for its growing. At present more intense crops are being raised on its traditional good predecessors. It is being grown on shallower and poorer soils and in certain rayons and APK from 80 to 85 percent is being grown after stubble predecessors. This increases the demands placed upon the new varieties in terms of their higher plasticity and resistance to stress, in enduring higher fertilizing and chemical agents for combating weeds, diseases and pests.

The new conditions require a suitable supply of the necessary nitrogen, phosphorus and potassium fertilizers, microfertilizers and growth regulators. There are also higher demands placed upon the equipment and implements for preparing the soil, the quality of planting, the even application of fertilizers and the highly effective combating of weeds and pests, simultaneously without harming the crop. The introduction of technical progress and the use of advanced experience in barley production opens up enormous prospects.

#### Reserves in Wheat Raising

Sofia KOOOPERATIVNO SELO in Bulgarian 3 Sep 82 p 2

[Article by Doctor of Agricultural Sciences, Kosta Gotsev, senior science associate at the Dobrudzha Wheat and Sunflower Institute near General Toshevo: "The Achieved is Not the Limit"]

[Text] In recent years, the average wheat yield has been rapidly and tangibly growing. This has been the result of the great efforts by the party and administrative leadership, of the increased skill of the specialists and equipment operators as well as the result of applying scientific-technical progress in intensifying wheat production.

The basic factors related to intensification and which are of crucial significance for increasing the yields are: the fuller utilization of the biological capabilities of the varieties and the application of modern methods in accord with their requirements. Through an extensive network of experimental plots, the new breeding achievements rapidly undergo production testing and are introduced into practice, in replacing the less productive varieties. Simultaneously with their accelerated introduction, significant efforts have been made to create a scientifically-based varietal structure in the APK and brigades.

In recent years, significant efforts have been focused on the application of the most modern, highly intense methods for growing wheat on the basis of advanced experience and the most recent achievements in agricultural science. In this area a particular role is played by fertilizing with increased but well-balanced fertilizer rates, the everwider use of microfertilizer, systemic fungicides, herbicides and biological regulators as well as the prompt and better quality execution of all measures related to the growing of wheat.

A detailed analysis of the positive and negative aspects of wheat production has shown that the achieved results in the leading okrugs are not the limit. The experience of the pacesetters is very convincing that the earth can produce significantly more. For example, in Tolbukhin okrug an average harvest of 600-650 kg of grain per decare is fully realistic and feasible in subsequent years.

For 1983, with the direct help of specialists from our institute, a varietal structure has been established for many okrugs, APK and brigades, in taking a decisive step toward broadening the areas planted under the highly intensive Bulgarian-developed varieties. Here the basic place has been given to the high-yielding and non-lodging varieties such as Charodeyka, Skitiya, Trakiya, Pliska and others which have been developed at the Dobrudzha Institute near General



Toshevo. In parallel with this, the newest varieties such as Zagora, Tryana, Rekviem and Kaloyan are to be rapidly reproduced and in 1984-1985 these will play a significant role in wheat production.

The greatest reserves for increasing the yields are to be found in the wheat raising methods. Of particular significance is that the measures outlined in them be carried out accurately, promptly and on a high quality.

High and stable yields require systematic observation of the plantings during their entire development and the taking of care in accord with the requirements of the wheat plants. During the growing season particular attention must be devoted to protecting the leaf bulk in order that the grain be well fed. For this purpose it is essential to choose suitable varieties and take the appropriate measures to disinfect the seed and spray the plants. In this regard special attention should be paid to the monocrop raising of wheat and for this the institute has worked out a special method.

Of particular significance for success in wheat production is proper varietal farming techniques. This presupposes the fullest understanding of the biology of the varieties, their requirements for nutrients, the sowing rate, climatic conditions and so forth.

To increase the wheat yields means to most fully incorporate all the intensive factors on the basis of efficient farming practices.

#### Grain Success in Tolbukhin Area

Sofia KOOOPERATIVNO SELO in Bulgarian 3 Sep 82 p 2

[Article by Iliya Kolev, chairman of the APK in the town of Tolbukhin-Iztok: "Our Task is to Confirm the Successes"]

[Text] The Dobrudzha APK in the town of Tolbukhin-Iztok fulfilled the plan for bread grain in the 7th Five-Year Plan by 113 percent in selling 44,166 tons of grain to the state above the plan.

This year, we obtained an average yield of 620 kg from 195,000 decares. All the brigades ended with very good results, but particularly outstanding was the youth interspecialty brigade for industrial production in the village of Metodievo and led by the Hero of Socialist Labor Ivan Khristov. Its average yield was 805 kg. The farmers from the brigade in the village of Dimitur Ganevo led by Kan'o Ivanov harvested 701 kg of grain per decare. The APK has sold 35,000 tons of wheat above the plan to the grain-feed combine.

These results are due primarily to the correct party and state instructions on accelerating the intensification of grain production, to the high-yielding varieties developed at the Wheat and Sunflower Institute near General Toshevo, to the effective systems for the rapid reproduction and introduction of these varieties into production, and to the application of the new economic mechanism and the brigade organization of labor.

The guiding principle in our previous work has been to obtain high and stable, but not record yields, in other words, a maximum amount of grain for a given period of time and from a given area.

Certainly, what has been achieved up to now is not the limit. Our goal is to make the achievements of the pacesetters a mass practice. We see reserves in increasing production discipline and in supplying the brigades with the necessary highly-productive equipment. In line with the minimalizing of tilling and the saving of fuels and lubricants, during this five-year plan we must resolve a contradiction: we have heavy tractors but not enough equipment for them. The question of sowing has also not been well resolved. For a long time, we have been sowing with the same drills. There is also the problem of combating weeds. For years running we have employed herbicides based on 2,4D. This is the reason for the overgrowing of the fields with persistent dicotyledonous weeds. The question has arisen of correctly selecting and employing herbicides over a period of 5-6 years.

We cannot raise the question of high yields if we are unable to handle diseases. This year was exceptionally favorable in plant disease terms but such years can be counted on the fingers of your hand. Recently, on certain areas where wheat is grown intensely we have begun using preventive and therapeutic chemicals against powdery mildew, rusts, fusarial wilt, root rot and others. These must be employed over the entire growing season and over the entire producing area.

We have not settled everything in the area of fertilizing. Science and advanced practice have shown how and when fertilizers are to be applied, but their delivery has been delayed.

Our task is by constant search and the application of the new by the leaders, specialists and production workers to confirm what has been achieved during the 2 years of the 8th Five-Year Plan. This will be our specific contribution to carrying out the decisions of the 12th Party Congress.

#### High Brigade Output

Sofia KOOPERATIVNO SELO in Bulgarian 3 Sep 82 p 2

[Article by Candidate of Agricultural Sciences Ivan Stoev, leader of the Hr. Botev Brigade at the Burgas APK: "We Have a High Goal"]

[Text] For more than 10 years, the Khristo Botev brigade has obtained high wheat and barley yields. At a grain production conference held in September of last year, the brigade was given the task of producing 700 kg of wheat and barley per decare in 1982. In truth, in individual years we had come close to this figure, but still it posed a problem as it applied to the two crops.

With the available high-yielding varieties we estimated that fertilizing would be of crucial importance in achieving the goal this year. It was not a question of fertilizing generally, but rather feeding the crops during the growing season, that is, giving them as many nutrients as required and at the proper time. This we achieved by the introduced new fertilizing system with a balanced state of nitrogen, phosphorus and potassium.

As a result of the favorable climatic conditions during the autumn and spring season, the barley had developed very well and opportunities had arisen for the sprouting and strong bushing out of the plantings. With this specific situation we resolved that we should not hurry with the spring fertilizing. Along with scientific workers, the APK grain production council carefully followed the development of the plantings, it regularly took soil and leaf samplings and established the presence of nitrogen in the plants and soil. As a result of these analyses, we concluded that the top-dressing should not be in February, as was usually the case, but only at the end of March with doses of from 4 to 6 kg of nitrogen, in terms of active ingredient, per decare. This protected the plants against excessive bushing out and lodging. We tended the even and straight plantings and obtained record harvests of 738 kg of barley from 6,950 decares.

In controlling the process of feeding the plants, we also were able to obtain a record wheat crop. Thus, on 15,950 decares of winter crops, the brigade harvested 712 kg of grain as an average per decare and honorably fulfilled the assignment given to us by the rayon party committee.

There is the logical question of what now? With such a high yield, each subsequent step is difficult, but we are profoundly convinced that there are still opportunities to increase the yields. These are to be found primarily in modern intensive varieties and the corresponding farming methods. It is not a question of varieties in general, but rather the choice of the most suitable one for the given field depending upon the preceding crop, the sowing time and so forth. It is not a question of the production code generally, but rather proper farming practices. We see in this at present the main reserve for next year.

At present, our attention is focused on the presowing preparation of the soil. Here there is not and cannot be any mere routine. In recent years, we have prepared more and more area by discing but this year the climatic conditions have forced us to plow and work a larger portion of the area in order to achieve the desired and necessary condition of the soil. For 1983, we have set an even higher goal for ourselves and will do everything necessary to achieve it.

#### PHOTO CAPTIONS

1. This year the highest average wheat yield was achieved by the brigade led by Hero of Socialist Labor Ivan Khristov from the village of Metodievo in Tolbukhin Okrug with 805 kg from 13,000 decares. Next came the brigade led by Todoe Kurmov at the experimental station for irrigated farming in Yambol with 783 kg on 10,500 decares, then the brigade led by Mincho Dimitrov at the village of Lyubimets of the APK in Novo Zagora with 751 kg on 4,970 decares, the brigade of Rusi Rusen in the village of Kon'ovo from the APK in Novo Zagora with 727 kg on 4,280 decares and the brigade led by Georgi Nedev in the village of Maslarevo in Veliko Turnovo Okrug with 715 kg on 8,780 decares.
2. Of all the APK in the nation, 10 have obtained an average wheat yield of over 600 kg per decare, 19 have achieved more than 550 kg and 10 others have had more than 500 kg.



The APK in Kameno, Burgas Okrug, achieved an average yield of 650 kg per decare, the APK in Strakhilovo, Veliko Turnovo Okrug had 629 kg, the APK in the town of Tolbukhin-Iztok and the APK in Burgas each had 620 kg.

Of all the new type of grain-feed brigades, 71 obtained more than 600 kg of wheat grain per decare, 73 had over 550 kg and over 100 had more than 500 kg.

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SET OF MEASURES SAID CHANGING WAYS OF THINKING

Prague RUDE PRAVO in Czech 4 Sep 82 p 2

[Article by Miroslav Vltavsky]: "Need to Accept New Ideas"]

[Text] The Palace of Culture which dominates the area in front of the Gottwald Bridge has been fulfilling its role over a year now. Since the 16th CPCZ Congress the Palace of Culture has on numerous occasions been the host to congresses and cultural events. Visitors come here just to look at the interior of the building; others come to sit in a cafe from which they can look at the Old Vysehrad Castle and the beautiful panorama of Prague. The people are starting to accept the Palace of Culture as if it had been here for a long time.

The workers of Prague Industrial Constructions (Prumstav) put their finishing touches on this building at the time two economic systems met. They used the skills of all those who were able to successfully participate in the completion of the largest construction project not only in the history of the enterprise but also during the entire era of the nationalized construction industry sector. For this reason, they temporarily stopped or reduced their work on many less important construction sites and brought to this project hundreds of people from additional organizations.

When the work on the project was finished, Prumstav's workers returned to tens of sites of housing projects and small civic facilities. To some extent, this reminded us of an awakening after a night following a day of great effort from which one was still tired. Also, the construction of the largest cultural facility brought the enterprise plan to a peak which the Prumstav workers were unable to equal in the case of smaller projects.

Year of Change

New rules have changed many plans. Eng Jiri Smutny, the enterprise manager, said that he naturally could not have laid foundations for this year's project last year. And his deputy, Eng Miloslav Cerny, added that the enterprise had to look for a replacement of the Palace of Culture in the Seventh 5-Year Plan sooner--at a time when old rules were still valid. Hence, the plans counted on good cooperation, the use of more extensive materials and of prefabricated

parts. The aim of these steps was to reduce manpower and shorten deadlines even at the price of higher cost. At that time they also counted on a certain number of housing units as promised in the long-range concept of development, especially in Central Bohemian Kraj.

"The Set of Measures and the changes in investment altered not only our thinking but also the prepared plans in the sector of technical development," said Jiri Smutny. "Many of these plans became unrealizable. This forced our technicians to react quickly. The change in the economic rules, however, rescued us from an unpleasant economic situation in which we would be engulfed if evaluated exclusively on the basis of the fulfillment of volume indices as was practiced until the end of the Sixth 5-Year Plan."

After a while, he elaborated on his statement. Prumstav ended last year with a debt of Kcs 200 million in the fulfillment of construction volume (gross production). On the other hand, however, it achieved an excellent record in the fulfillment of all other qualitative and binding indices. (Many a reader already knows what we have in mind.) Prustav fulfilled "all eight indices" and saved a lot on materials. This, however, affected fulfillment of the targeted volume which the enterprise failed to meet.

#### Fast Changes

The enterprise cannot afford either last year's debt level or savings this year. Consequently, it was necessary to take numerous new measures which would speed up steps under preparation, starting with technical development. To illustrate the point, I will offer the case of partition walls. For a long time the enterprise used synthetic partition walls which, according to existing economic criteria, are not suitable because of price and difficulty of installation.

The changed decision presupposes an accelerated reaction at many workplaces of the enterprise--in the first place, because the enterprise did not find a producer who would deliver a new concrete partition wall. Thus it started to manufacture one by itself. However, it was necessary to introduce this new concrete partition wall very quickly and to bring about not only reduced cost and less work at installation time but also better use for the consumer. This is another element which the Set of Measures is scheduled to achieve.

"We needed a product so well finished by the manufacturer that the only thing our assembly workers and electricians would do would be to connect the building wiring. We have ensured, in cooperation with the workers of the panel manufacturing plant, the smoothness of the wall surfaces as well as the problem of how to hook up the plumbing," Miloslav Cerny said before adding: "The future user of the apartment will appreciate that the new wall partition is a solid wall which does not rumble the way a synthetic wall partition does. And in this way we saved 28 hours of work per apartment."

#### Everybody Has Influence

"The more perfect the product delivered to the construction site the better the work relations," added Eng Miroslav Strihavka, chief engineer of the 01 plant

in Prague, "because we will reduce the number of necessary specialists. We will also eliminate problems of accepting badly done jobs."

This brings us to the next product which is part of new housing units--porous concrete outer shells. This task of technological development was started many years ago at the Ministry of Construction in order to use waste and was successfully completed by the Prefabricated Parts Plant in Hyskov. As for concrete, you need first-class-quality natural raw materials such as sand gravel or crushed gravel. In the case of porous concrete these materials are replaced by light ash. While for an outer wall panel we need a large amount of polystyrene for insulation, porous concrete is an insulator by itself.

"In addition to some advantages, there are also disadvantages which to a great extent prevented its use," Lubor Sisler, head of the technical sector of the Panamont Plant, explained. "In the manufacturing of the outer shell people must be consistently interested in quality. The same applies to the construction crew which delivers these outer shells to the construction site. Finally, it is necessary to create necessary prerequisites for the assembly workers--if we want better quality work from them they must not earn less than before."

#### A Few Less

The search for an answer to the question of how the Set of Measures works out at the Prumstav Plant brought us to Kralupy nad Vltavou. On barren soil at the edge of town at the site bordered on one side by a river and on the other by a cliff, a new housing facility is being built. The construction head, Jiri Kratochvil, explained to us at the site the intricacies of the procedure: technical development, production, construction. As far as he is concerned, all rationalization measures concerning the technicians call for the planned reduction of worktime. Between the plan and reward there is a computer, a dispassionate bookkeeper whose debit-asset columns can be influenced only by malfunctioning of the machine.

However, the construction head and foremen can utilize their own possibilities. It was calculated that Jiri Kratochvil will need 39 workers with specific average wages at the construction site. However, the work crew was able to uncover certain potentials. Now, there are six fewer people at the construction site and if they do not meet the deadline they stay longer or come back during a holiday. The other side of the coin is that they have a chance to pocket money which otherwise would be paid to the six workers. The remuneration, however, is conditional on meeting deadlines and the quality of finished work.

#### At the Construction Site

We had a chance to look at the first installed partition walls at the housing construction site in Kralupy. The thin wall, ready for wallpapering, contains boxes and pipes for electric wiring. The plans are that in the future the supplier will insert conductors in the walls. In such a case, the task of the electrician at the construction site would be merely to test and connect the wiring.

Such a technical-organizational measure ought to save additional work at the construction site because the manufacturer can do these things faster and more easily. As was shown, a technician working under the Set of Measures should know what the construction workers think of these measures. Electrical engineer Pavel Petras appreciated the fact that the partition wall contained the boxes. If in the future it also contains the conductors, there will be more time for connecting the wiring and completing the whole process. This will also result in more completed work by the worker. However, when we asked him whether he prefers pulling cables through the walls and thus to do less qualified work than connect the cables.

This case illustrates that it is not enough for people to introduce successful innovations into technical development without explaining their use to those workers who will use them. And it is also necessary to change the norms if the old ones put a damper on the development of initiative. The Set of Measures must be implemented as a whole.

1277

CSO: 2400/3788

PRINCIPLES OF WORK, PAY BY BRIGADE DEFINED

Prague PRACE A MZDA in Czech No 9, 1982 pp 6-12

[Unsigned article: "Principles for Experimental Verification of the Brigade Form of Work Organization and Remuneration"]

[Text] Soviet experiences have always been the source of inspiration of how to work better, how to further develop worker initiative and socialist competition. One of the major and successful Soviet initiatives is the brigade form of work organization and remuneration. The Soviet Union has already had 10 years' experience with it. It is used in many industrial plants and virtually in all sectors of the national economy. It has produced demonstrably better results in work, in training of workers, in the development of socialist democracy particularly as to worker participation in management. On the basis of all experiences with this form, the 26th CPSU Congress resolved that the brigade work organization should be widely practiced during the 11th 5-Year Plan and help solve the economic and social tasks laid down by the congress. This form of work organization and remuneration has a justified and wide field of application under our conditions as well. It can help solve some actual problems and the tasks laid down by the 16th CPCZ Congress. Our 10th All Trade Union Congress also drew attention to it and some plants have already demonstrated interest in the application of this form. For this reason, the URO [Central Trade Union Council] together with the Federal Ministry of Labor and Social Affairs [FMPSV] worked out and approved the principles for experimental verification of the brigade form of work organization and remuneration. Their purpose is to put this form on a uniform basis in order to better evaluate results. The URO secretariat and the FMPSV will study them and propose to the CSSR Government at the beginning of 1983 a course of action for further development of this progressive form. It is, therefore, very important to be guided by the approved principles and to apply them with responsibility.

CSSR Government Resolution No 382 of 27 November 1980 laid down the task "to verify and gradually apply in the developed work collectives the brigade forms of work organization and remuneration, and in doing so to make use of experiences of other socialist countries particularly of the USSR." To accomplish this task, the FMPSV in cooperation with URO and the CSR and SSR ministries of labor and social affairs has formulated the following principles for the period of verification.

#### Characteristic Features of Brigade Form

1. The brigade form of work organization and remuneration (henceforth the brigade form) is one of the forms of implementation of the Set of Measures for Improving the Planned Management System of the National Economy, particularly in regard to the development of intraenterprise khozraschet all the way to the brigades, application of scientific work organization, enforcement of the principle of remuneration according to merit and increasing worker participation in production management.
  2. The introduction of the brigade form aims at making use of the advantages of collective work organization and remuneration which lie in the capacity of the work collective to mobilize more effectively its productive force through more intensive cooperation and division of labor, cooperation of interrelated workers, in training and forming of the worker with broader knowledge and skills, and in better opportunity of his self-realization in the production process in order to promote further increase in labor productivity, production efficiency, economy and quality of products, to speed the application of scientific-technical achievements in production and to inculcate in the workers the socialist attitude toward work.
  3. By the brigade form is meant such form of work organization and remuneration of workers in industry, building and other sectors of material production and services, in services in which a brigade (work collective) is one of the units of intraenterprise management for which the basic (selected) quantitative and qualitative tasks are planned, which records and reports their fulfillment, for which the labor force necessary for achieving these tasks is specified and financial incentives and brigade responsibility for attaining the targets defined.
- At the same time, the production brigade is an important part of the enterprise work collective and the lowest level of work organization and management. The brigade unites the work collective for the most effective fulfillment of production and work targets on the basis of mutual cooperation, comradely assistance and development and use of individual abilities for joint work.
4. The production brigades differ from the present work collective also by the fact that the brigade:
    - a. adopts and implements progressive plan tasks; works very productively, assiduously and economically; makes use of new equipment and progressive work methods; more consistently observes work discipline;

b. intensively participates in production management and for this purpose systematically employs the elements of collectivism such as comradesly cooperation, substitution for the absent worker, assistance to and training of young and inefficient workers, rotation of workers and so on, on the basis of acquaintance with interrelated jobs and activities, and other progressive elements in the work organization such as operation of several machines, extension of work assignments (zones of operation), brigade khozraschet, turning over control over operating machines and equipment to another person, assuming responsibility for the quality of work and so on which make it possible for the brigade--in comparison with the individual work organization--to achieve a greater increase in social labor productivity;

c. consistently observes in practice the merit principle according to which the remuneration of the work collective depends entirely upon work results. There are incentives for all members of the work collective and for every individual to stimulate their interest in end results<sup>1</sup> of brigade work and to increase one's own contribution to these results;

d. together with increased duties and responsibility, makes full use also of the greater rights in the management of the collective (self-management), in the operative adaptation of work organization and distribution of the labor force, and its participation in distribution of that part of wages payable which are paid for the collective work results while taking into consideration the contribution of individual workers to these results. It can propose to the organization management and trade union organs the best workers--brigade members--for reward in intraenterprise socialist competition, and also call to account those individuals who fail to fulfill their tasks, disrupt production, technological and work discipline.

5. Under the conditions of the brigade form of work, the role of foremen and operations supervisors increases. Since the brigade and its leader assume certain duties in work organization, there is a division of labor between the foreman, leader of the brigade and the collective in following up the observance of work and technological discipline, in remuneration and so on. The foremen and other supervisors can thus pay more attention to the planning and preparation of production, to procurement of material supplies and equipment, to the application of scientific-technical achievements in production, to protection and labor safety, to the evaluation of plan fulfillment and so on. At the same time, they will follow up, evaluate and regulate the effectiveness and tools of the brigade form.

#### Organization of Brigades, Their Tasks and Remuneration

6. Brigades are organized in those areas, where the collective form of work makes it possible to achieve better economic results and social development of the work collective than the individual form. The establishment of brigades is preceded by thorough preparation which should result in the overall improve-

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<sup>1</sup> By end results are meant finished and semifinished products, set of components, technological part of production and so on.



ment of work organization and production management, of economic tools, of basis of technical and economic standards particularly of standards of labor expended, increased qualification and creation of conditions for continuous work.

7. In organizing a brigade, the amount of work, production tasks, production space and equipment is defined in such a way as to make the brigade work a self-contained, well-rounded production technological unit of the production process. The decision on the numerical, job and qualification structure of the brigade is based on the new conditions of production organization and the resulting needs for human labor. As to the bigger brigades in which workers from several shifts participate, it is expedient to form within the brigade smaller groups in which most of the brigade rights are exercised and duties carried out.

In those production sections where it is expedient, the brigade can be augmented by additional workers who participate in the production process, and where it is desirable for reasons of operation, by operations technicians as well. However, only the workers in the respective department can become members of the production brigade. If the scope of activity of a new brigade to be established does not agree with the organizational structure of the production section, the enterprise management will take the necessary steps to reconcile the organizational production structure with the work collectives.

8. A brigade is organized by the decision (measure) of the enterprise (plant) manager after discussions with the appropriate ROH [Revolutionary Trade Union Movement] organ and with full consent of the work collective. Individual workers join the brigade in accordance with the principle of voluntarism.<sup>2</sup> The leader of the brigade is appointed at the same time.

The brigade leader is appointed and recalled by the appropriate economic worker authorized to do so by the organization manager, while the recommendation of the direct supervisor and opinion of the brigade collective are taken into account. The best qualified worker who has an organizational talent and enjoys natural authority in the collective usually becomes the leader of the brigade. If it is unavoidable, the foreman, chief foreman or other supervisor can exceptionally become the leader of the brigade.

If in connection with the work in the brigade, a change occurs in the type of work performed by the brigade members or by the leader of the brigade or in the place of work, this change must be reflected in the written work contract.

9. The tasks of the brigade are derived from the operations plan of the organization and its detailing within the enterprise. Every brigade is assigned general tasks for the entire year which are more precisely defined later on for every quarter and every month. Higher rates of premiums and bonuses serve as a stimulus for the brigades to adopt higher targets through counterplanning.

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<sup>2</sup> By the term voluntarism is meant a democratic decision by the majority. Those individuals who disagree with their inclusion in the brigade will be transferred by the organization management to other, individual workplaces.

The plan tasks for the brigade are set, in accordance with the principles of intraenterprise (brigade) khozraschet, by the quantitative and qualitative indicators (production or work volume, economy, quality and amount of human labor expended) which constitute the work program for the brigade and are directly affected by the brigade's activity. Underlying them are the principles of intraenterprise khozraschet in industrial enterprises which were approved by the Government Committee for Problems of Planned Management of the National Economy on 10 October 1980. Targets for technical development and production and work rationalization are part of the planned tasks.

10. The brigade form of work organization and remuneration makes it imperative to improve work organization, to rationalize the course of the production process and to formulate objective standards of labor expended (efficiency norms, norms of operating personnel, norms of labor force) used for evaluation of labor expended in individual work activities and operations, and making possible the formulation of comprehensive time standards for planning, operative management of production and work, and for remuneration.

The formulation of comprehensive standards must be preceded by the analysis of mutual work relations among the workers, and the most effective work procedures must then be proposed in order to make the most rational use of working time by every worker and to determine his contribution to the work results jointly achieved. In their work, the rationalizers and standards formulators must make use of the initiative and experiences of brigade members.

11. The remuneration of brigade members is governed by the regulations for remuneration of blue-collar and technical-economic workers. Their application to the existing brigades is reflected in the enterprise rules on the brigade form of work organization and remuneration in which the organization management specifies, in cooperation with the ROH plant (enterprise) committee, concrete conditions.

12. Under the conditions of the brigade form, the economic incentive in the ultimate work results of the entire team is financially stimulated by the introduction of collective wage forms corresponding to the nature of work involved (team piecework wage, contract wage), team shared wage, team mixed wage, team premium and team efficiency bonus).

In addition, brigade members can be granted, in accordance with the regulations now in effect, personal rating, extra bonuses, bonuses achieved due to the development of worker initiative, individual bonuses according to special regulations and shares in economic results. The leader of the brigade insofar he works in the category of blue-collar workers receives extra pay for guiding the gang within the general management of the brigade and work organization.

13. The collective premium is usually stated in an absolute amount. The premium is increased or reduced depending upon the fulfillment of brigade planned tasks according to the quantitative and qualitative indicators, and in accordance with the effective regulations on granting premiums and efficiency bonuses.

14. The premium is divided among individual blue-collar workers in the manner designed in advance with reference to their relative contribution to the overall result. In continuous operations, this division is preceded by the distribution of the total premium among the collectives working individual shifts.

The division of collective earnings among individual members of the brigade is proposed by the brigade leader, while the foreman (appropriate supervisor) determines the premium for the brigade leader and approves the distribution of collective earning among individual members.

To express more concretely the contribution of individual brigade members to the common work results, work contribution coefficients can be used--if approved by the brigade collective--for the distribution of the collective premium. The details of how to use them in order to promote the progressive elements of work organization and mutual cooperation will be spelled out in the methodological guidelines to be issued by the FMPSV.

15. In order to stimulate interest in reducing the labor force, the procedure should be followed according to the FMPSV Guideline No 31-184/81-7210 of 13 February 1981.

In the brigades paid a collective piecework wage which provides incentives for savings in direct labor, the earnings are divided among individual members either in toto in the manner agreed upon in advance or only the standard share, while the extra earnings are transferred to the collective premium.

If time wages are paid, the organization determines what proportion of base wages saved, achieved by the absolute reduction of the labor force by means of counterplanning or reduction of overtime work, will remain at the brigade's disposal (usually 30 percent). The collective premium is increased by this amount. If the amount of base wages actually paid exceeds the estimate, the deficit is paid from the collective premium unless the organization, in instances specified in advance, reimburses it from the enterprise resources.

#### Management of Brigades and Development of Work Initiative

16. The foreman directs brigade activity in general. The foreman usually supervises several brigades (but it may be one brigade only). In continuous operations, where the brigades include blue-collar workers from all shifts, the work of the brigade is directed by the chief foreman or operations head.

In directing the brigade, the foreman (chief foreman, operations head) performs particularly the following functions:

- a. sees to it that the brigade's planned tasks are fulfilled in the required quantity, quality, assortment, with proper economy within the specified deadline;
- b. creates conditions for continuous and rhythmical work in the respective area on the basis of early and proper preparation of production;

- c. applies the findings of scientific organization and rationalization of work in organizing and directing the production process, cooperates in working out new better work methods and in verification and implementation of proposed rationalization measures;
- d. controls the implementation of wage policy;
- e. formulates the goals of socialist competition in his section and of additional forms of worker initiative;
- f. sees to it that work and technological discipline is observed;
- g. controls the quality of finished products and of work performed, analyzes the causes of defective products and cooperates in their elimination;
- h. maintains technical records on production and work in accordance with the intraenterprise regulations;
- i. analyzes the fulfillment of planned tasks.

His activity is based on cooperation with the brigade leader and brigade council, and is carried out in agreement and cooperation with the appropriate ROH organs. He discusses the fundamental measures and work problems at the brigade meeting.

17. The work within the brigade is organized by its leader in the scope delegated to him by the organization management. Within this scope he has the rights and duties of a supervisor according to Section 74 of the Labor Code. The directives issued by the brigade leader within the delegated authority are binding for all brigade members.

In directing the work within the brigade, its leader performs in agreement and cooperation with the ROH shop steward particularly the following functions:

- a) participates in and expresses his opinion in drafting the plans and brigade tasks, and formulation and changes of technical-economic standards according to which the brigade will work;
- b) acquaints the brigade members with the production tasks, discusses with them their proper fulfillment on time and acquaints them with the results achieved;
- c) depending upon the nature of production, he organizes work, assigns specific tasks to brigade members and develops appropriate forms of initiative to accomplish them;
- d) sees to it that the regulations on labor safety be observed in work by individual blue-collar workers, and promptly enacts and proposes necessary measures;
- e) proposes the distribution of team earnings, acquaints the brigade with the distribution of the team part of earnings with previous approval by the foreman;

f) after first discussing them in the brigade, he submits to the organization management the proposals for inclusion of new workers in the brigade or exclusion of workers from it;

g) pays attention to the moral education and training of brigade members; helps train new workers and apprentices; creates the climate of comradely cooperation and mutual assistance, and guides the brigade toward responsibility for the fulfillment of planned tasks.

In organizing and management of brigade work he is assisted by the brigade council (if it was set up). He discusses the fundamental problems at the brigade meeting.

18. In their work, the brigade members must observe the labor law and technological, safety and other regulations effective in the organization. They exercise their right to participate in production management and solution of problems concerning the brigade at brigade meetings. The meetings are attended by the foreman and ROH shop steward.

In dealing with the problems concerning its activities, the brigade:

a. proposes the brigade leader and elects the brigade council by open vote;

b. discusses the acceptance of new brigade members and expulsion of members from it;

c. evaluates the brigade production tasks and adopts socialist pledges or a counterplan, and enacts measures for their implementation;

d. evaluates the work organization in the brigade and adopts measures for its improvement;

e. discusses the problems of remuneration of brigade members and approves the method of distribution of the team part of earnings according to the intra-enterprise rules approved by the economic management and ROH ZV [factory committee];

f. expresses its opinion on the application of the work contribution coefficient and on the application of enterprise rules to personal rating;

g. deals with problems related to enforcement of work and technological discipline, to assistance to lagging and young workers, to training of brigade members and development of socialist competition;

h. proposes from its own ranks the best workers for rewards in intraenterprise competition.

19. A brigade council is established in bigger brigades consisting, for example, of workers from several shifts. Its members are elected by the brigade members usually for 1 year. At the same time, the brigade meeting delegates some powers and tasks of the brigade to the brigade council and stipulates in which instances

makes a final decision and in which it only prepares proposals for the brigade meeting.

20. The development of brigade work activity and initiative is based on the effective principles governing the development of worker initiative.

The brigade meeting discusses individual socialist pledges which must aim at achieving the best possible economic results by the entire brigade and must be reconciled with the criteria for determination of the work effort coefficient.

The socialist pledge of the entire brigade is put together on the basis of individual pledges.

21. The ROH participation in brigade activity is based on the resolution of the Ninth All Trade Union Congress on the factory committees of ROH basic organizations and on the resolution of the Fifth URO Plenum of 3 June 1973 on the status and role of the trade union section and of the shop steward. Together with the brigade leader, the shop steward attends particularly to the following tasks:

- discusses the proposal for the brigade production plans;

- wins over the brigade members for the active participation in decisions on production problems and on increase in labor productivity and general efficiency and quality of production and work;

- develops and evaluates the work and creative initiative consistently aimed at increased labor productivity and conservation of fuels, energy and raw and industrial materials;

- prepares and organizes the production meetings;

- expresses his opinion on the proposal of intraenterprise rules for remuneration of brigade members and on the manner of distribution of the team part of earnings;

- sees to it that working conditions are improved and work and technological disciplined enforced;

- evaluates and rates the work of the brigade and of individual members;

- develops mass political work for strengthening the socialist attitude toward work, development of comradely cooperation and mutual assistance within the work collective;

- checks the handling of comments and suggestions submitted by the brigade members and the implementation of measures designed to eliminate existing shortcomings.

## Concluding Provisions

22. In cooperation with the appropriate central committees of trade union associations, the central sectorial organs issue--in order to implement these principles with due attention to the specific conditions in individual sectors and branches--their regulations for the sector in which they specify the conditions which must be created in the experimenting organizations, the scope and course of verification, and the manner in which the results are to be evaluated.

23. Economic supervisors together with the ROH pland (enterprise) committees are responsible for the selection of collectives in which the brigade form is to be verified, for the overall political and organizational preparation, and for the creation of necessary conditions in the experimenting organizations.

24. If specific conditions in individual sectors and branches call for a different solution, the exemptions from these principles are granted by the FMPSV in agreement with URO, and if the respective sector is controlled by the authorities in one republic, by the appropriate Ministry of Labor and Social Affairs together with the organs mentioned above.

25. The measures according to these principles can be implemented only in accordance with the regulations which define the jurisdiction of trade union organs in the area of worker participation in management, labor law relations and remuneration.

10501

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FIRST HALF YEAR FOREIGN TRADE STATISTICS PUBLISHED

Budapest HETI VILAGGAZDASAG in Hungarian No 35, 28 Aug 82 pp 4-5

[Interview with Lajos Berenyi, main department manager at the Foreign Trade Ministry, by Mihaly Muranyi: "Market Sacrifice"]

[Text] The Central Statistical Office [KSH] recently published the numerical data of the Hungarian foreign trade in the first half year. What is behind these numbers? This is what we discussed with Lajos Berenyi, main department manager at the Foreign Trade Ministry.

[Question] Last year as well as in the first half of this year, in our dollar accounted foreign trade export exceeded the import. And yet, we speak much more today about the foreign market's difficulties and about the Hungarian economy's problems on the world market than we did in the decade of the 1970's, when--except for one single year, 1973--the ratio was exactly the opposite, and excess import, actually a very significant deficit characterized this balance of the Hungarian foreign trade. What is the reason for this?

[Answer] Many things have changed in the world since then--that is why we speak much more about the problems. And I will add right away that the world economy's not at all pleasant changes are causing more and more problems not only in Hungary but in practically all other countries also. This year the market situation is worse than ever before for the sellers, including the Hungarian enterprises. Much has already been said on the pages of the HVG [HETI VILAGGAZDASAG] about the world economic crisis being even deeper this year than it was last year. The measures which disadvantageously affect the East-West economic contacts added to this, and I am referring here to the most varied discriminations. These measures by states which disadvantageously discriminate against us were characteristic earlier for the Common Market. In addition to remaining in effect there also, and indeed having become even sharper, the discrimination has also increased in other countries and groups of countries, due primarily to pressure from the USA. But the effect of these is present not only in the direct economic contacts with the USA but also in the trade with the other western countries. It is also well known that the conditions of the international financial relationships have greatly



deteriorated recently. Thus it is not only more difficult to implement the business aspects of export and import than it was before, but financing it is also more difficult.

[Question] In spite of all this the statistics show that this year the balance of our nonruble accounted foreign trade was more favorable than in the first half of last year.

[Answer] The favorable balance conceals very many kinds of movements, and movements in opposing directions. For example, based on the national economic plan the economic management urged the enterprises to open up additional export capacities, but in spite of this due to poor sales opportunities and decreasing world market prices, in the final analysis our nonruble accounted export did not increase in the first half year but only approached the level of last year's first half year. At the same time there were significant changes also in import. It was favorable that the price of goods we buy also decreased compared to last year. However, on the other hand the need to improve the foreign trade balance made it necessary to make the economic conditions of import purchases stricter than before, and to encourage export. All these are designed to be promoted primarily by the exchange rate measures, this is why the forint was devalued in June by an average of about 7 percent.

[Questions] Several industrial branches of the world economy are in deep crisis. Factories are being shut down, production is being cut back or halted. These branches of industry also exist in the Hungarian economy. Did we succeed in selling their products?

Table 1

(1) A külkereskedelmi forgalom egyenlege devizacsoportonként			(3)	
			(2) Milliárd rubel    Milliárd dollár	
(4) EGYENLEG SZERZŐDÉSES PARITÁSON*				
1979			- 372,6	- 91,2
1980			- 506,0	+ 221,9
1981			- 362,9	+ 258,6
1981. első félév	(7)		- 225,0	+ 124,7
1982. első félév	(7)		- 340,7	+ 144,9
(6) EGYENLEG A TÉNYLEGES FUVARFIZETÉSEK FIGYELEMBEVÉTELÉVEL				
1979			- 451,4	- 280,0
1980			- 611,8	- 14,6
1981			- 501,3	+ 42,2
1981. első félév	(7)		- 287,0	+ 8,9
1982. első félév	(7)		- 407,9	+ 37,3
(5) * Szerződéses áron, azaz a szerződés szerinti külföldi vételi, illetve eladási helynek megfe- lelő értéken.				

## Key:

1. Foreign trade balance by currency group
2. Million rubles
3. Million dollars
4. Balance by contractual parity\*
5. \*By contracted prices, that is, by values corresponding to the foreign purchase or sales location according to the contract.
6. Balance including consideration of the actual transportation expenses
7. First half year.

[Answer] The structure of our dollar accounted export did not change significantly compared to the first half of 1981. Agricultural and food industrial products are holding their favorable positions in our export. It was difficult to find markets for the products in the so-called crisis branches of the world economy—ferrous metallurgy, textile industry, and a part of the chemical industry—and we also had to sell our products for low prices in the first half of 1982. We were a little more successful in this in metallurgy this year than last, but our textile industrial export decreased. On the other hand, the machine industry's export increased. But the share of this branch in the nonruble accounted export continues to be small unfortunately, it is less than 20 percent. Every little result means progress here, only we would need faster progress.

[Question] It has been mentioned that the world economy's prices are disadvantageous to the Hungarian economy. Can anything be done to protect ourselves against this, for example, by changing the product structure of our export to favor products that can be sold better?

[Answer] What was said was not that the overall price relationships have an expressly disadvantageous effect on our dollar accounted foreign trade. But they clearly had an unfavorable effect on export. Export prices in terms of

dollars decreased by 5 to 6 percent compared to the previous year. Unfortunately, the prices of agricultural and food industrial products important to us also declined on the world market. The world market prices of products obtained from import have declined in general. The trade ratio--the ratio of prices of goods sold to those purchased--favored us in this relationship in 1980 and 1981. This year the trade ratio index is expected to be a little worse. In the developed export-import merchandise structure the decrease in world market prices affects the majority of our export.

Were the Hungarian economy in a situation of being able to change its production and export product structure more quickly, we could of course also take better advantage of the world market price changes. The basic structure changes--though not always--would require significant developments. But in the development policy--this is widely known--the demand for selection is even greater today than before. Of course, the export structure could be made more favorable also by omitting the products selling less profitably. But we have to increase not only the efficiency of export but also its volume.

[Question] A main department for enterprise supervision and control was recently created in the Ministry of Foreign Trade, and you are its head. Does the creation of this main department mean perhaps that the ministry will want to have an increased voice in the business affairs of the enterprises?

Table 2

## (1) A külkereskedelmi forgalom fontosabb országoként 1982 első félévében

(4) Ország	(2) Behozatal		(3) Kivitel		(7) Egyenleg	
	(5) millió forint	(6) 1981. azonos időszakának százalékában	(5) millió forint	(6) 1981. azonos időszakának százalékában	1982. I. félév	millió forint
(8) <b>EUROPA</b>						
Ausztria	7 636,4	92,3	5 484,8	89,3	—	2 151,6
Belgium és Luxemburg	1 375,1	103,2	632,2	108,1	—	742,9
Bulgária	1 910,1	124,4	1 781,1	73,3	—	129,0
Csehszlovákia	7 498,2	120,6	7 962,8	96,8	+	464,6
Egyesült Királyság	2 961,5	98,4	1 032,0	84,9	—	1 929,5
Finnország	1 290,4	103,7	952,2	95,5	—	338,2
Franciaország	3 355,1	95,0	2 087,7	99,7	—	1 267,4
Hollandia	2 199,8	84,6	1 444,2	100,6	—	755,6
Jugoszlávia	3 589,7	109,1	3 858,7	89,0	+	269,0
Lengyelország	4 910,2	106,3	5 010,8	134,6	+	100,6
NDK	10 347,3	99,2	8 500,3	91,6	—	1 847,0
NSZK	16 668,4	98,6	9 455,6	84,8	—	7 212,8
Olaszország	4 468,9	108,6	5 456,3	106,9	+	987,4
Románia	2 666,4	91,4	1 949,6	66,8	—	716,8
Svédország	3 277,8	104,2	2 024,8	100,4	—	1 253,0
Szovjetunió	1 915,5	108,6	949,6	79,7	—	965,9
	45 017,8	100,6	49 573,1	101,3	+	4 555,3
<b>AZSIA</b>						
India	356,8	89,4	602,4	85,7	+	245,6
Irak	43,4	210,0	4 842,5	149,8	+	4 799,1
Irán	3 923,6	177,1	2 709,4	131,3	—	1 214,2
Japán	1 867,4	88,7	296,0	135,7	—	1 571,4
Kína	527,2	53,0	453,9	107,4	—	73,3
Kuvait	10,0	179,8	504,0	78,3	—	494,0
Libanon	150,5	115,0	759,7	110,6	+	609,2
Mongólia	60,7	109,5	99,2	108,0	+	38,5
Pakisztán	331,2	30,0	127,2	32,0	—	204,0
Vietnam	141,3	151,5	364,4	62,5	+	222,9
<b>AFRIKA</b>						
Algéria	135,6	62,2	1 849,8	219,2	+	1 714,2
Egyiptom	489,2	96,6	468,8	105,1	—	20,4
Elefántcsontpart	226,1	49,3	16,3	212,5	—	209,8
Líbia	11,6	197,0	1 185,9	97,3	+	1 174,3
Malgas	572,6	129,4	1,8	66,7	—	570,8
Marokkó	122,4	39,9	243,8	420,8	—	121,4
Nigéria	210,4	120,9	543,3	73,4	+	332,9
<b>AMERIKA</b>						
USA	3 390,1	100,1	1 999,2	115,6	—	1 390,9
Kanada	215,8	80,6	335,0	94,5	+	119,2
Kuba	833,2	82,3	1 026,9	178,1	+	193,7
Mexikó	111,0	290,9	119,0	177,4	+	8,0
Argentína	201,6	296,2	21,0	8,4	—	180,6
Brazília	3 076,0	83,2	133,2	109,6	—	2 942,8
Peru	305,8	254,0	37,0	98,8	—	268,8
<b>AUSZTRÁLIA ÉS ÓCEÁNIA</b>						
Ausztrália	716,6	143,7	118,8	149,9	—	597,8
(9) <b>ÖSSZESEN</b>	146 375,7	100,9	136 363,1	99,5	—	10 012,6

(10) Az adatok hivatalos devizaárfolyamon, határparitáson, az előkalkulált fuvar költségek figyelembevételével szerepelnek.

## Key:

1. Foreign trade with the more important countries in the first half of 1982
2. Income
3. Export
4. Country
5. million forints

[Key continued on following page]

6. As percentage of the identical time period of 1981

7. Balance, million forints, first half of 1982

8. Europe

Austria

Belgium and Luxembourg

Bulgaria

Czechoslovakia

United Kingdom

Finnland

France

Holland

Yugoslavia

Poland

GDR

FRG

Italy

Romania

Switzerland

Sweden

Soviet Union

Asia

India

Iraq

Iran

Japan

China

Kuwait

Lebanon

Mongolia

Pakistan

Vietnam

Africa

Algeria

Egypt

Ivory Coast

Lybia

Malgas

Morocco

Nigeria

America

USA

Canada

Cuba

Mexico

Argentina

Brazil

Peru

Australia and Ocenania

Australia

9. Total

10. The data appear at official currency exchange rates, border parity, including precalculated freight costs.

[Answer] Not at all. What is involved here is that more and more enterprises in Hungary are engaged in foreign trade activity. In addition to about 40 specialized foreign trade enterprises, today over 120 producing, trade, and other enterprises have the right to it, and their number is constantly increasing. The job of this main department is to help the work of the foreign trading enterprises, and to coordinate it according to the directing requirements, and not to interfere in their individual businesses.

[Question] It has been a year and a half now that the enterprises with foreign trade authorization may export in the dollar accounted relationships not only the products originally listed under their profiles, but also other products. Has this system worked out well?

[Answer] A year and a half is not enough to clearly conclude whether this system has worked out well. But one thing is for certain: It does have some tangible advantages. Thus, for example, that the newly appearing competition encourages also the so-called basic enterprises to do better marketing work. The existence of competitors also results in the new ones as well as the old ones opening up new export capacities, and entering into new markets. Are there any arguments? There are. Coordination between the enterprises and cooperation are not yet running completely smoothly.

[Question] In your opinion how well are the Hungarian foreign trade enterprises adjusting to today's poor market conditions?

[Answer] There are several kinds of foreign trade enterprises, just as there are several kinds of enterprises in general. Some react quickly, some not so quickly to the changed situations. My opinion is that this year the ability to conform has greatly improved. Of course, sacrifices must also be made on the altar of the market. For example, in the first half of the year the profit of the foreign trade enterprises was only about 75 percent of the first half of last year. This also conceals a certain kind of conforming, since the product bases offered by the producing enterprises for export are sold even if their profits are nil, or only minimal. In the past when the conditions were more relaxed, it is not sure they would have acted the same way.

Table 3

## (1) A magyar külkereskedelem áruszerkezete 1982 első felében

	(2) Rubel (3) Nem rubel			(2) Rubel (3) Nem rubel		
	(5) elszámolások			(5) elszámolások		
	(6) millió forint			(7) előző év azonos időszaka = 100		
(8) KIVITEL						
(9) Energiahordozók, villamos energia	521,9	5 360,0	5 881,9	148,9	90,3	93,5
(10) Anyagok, félkésztermékek, alkatrészek	14 902,2	23 001,0	37 903,2	101,5	89,1	93,6
(11) Nyers- és alapanyagok	1 479,5	5 757,4	7 236,9	86,2	88,2	87,8
(12) Félkésztermékek	7 054,1	15 884,1	22 938,2	97,5	90,3	92,4
(13) Alkatrészek	6 368,6	1 359,5	7 728,1	111,0	79,7	103,9
(14) Gépek, szállítóeszközök,						
(15) egyéb beruházási javak	26 706,2	10 494,2	37 200,4	101,2	140,7	109,9
(16) Fogyasztási iparcikkek	11 547,8	9 135,2	20 683,0	112,2	89,7	101,0
(17) Élelmiszeripari anyagok, élő állatok,						
(18) élelmiszerek	8 387,9	26 306,7	34 694,6	106,3	93,9	96,7
(17) Mezőgazdasági termékek, élő állatok	1 877,2	11 082,5	12 959,7	127,0	97,2	100,6
(18) Élelmiszeripari termékek	6 510,7	15 224,2	21 734,9	101,6	91,7	94,5
(19) Összesen	62 066,0	74 297,1	136 363,1	104,1	96,0	99,5
(20) BEHOZATAL						
(9) Energiahordozók, villamos energia	21 846,6	4 422,0	26 268,6	113,4	93,4	109,4
(10) Anyagok, félkésztermékek, alkatrészek	25 487,5	46 660,4	72 147,9	104,3	96,9	99,4
(11) Nyers- és alapanyagok	9 932,3	11 120,7	21 073,0	93,3	88,0	90,4
(12) Félkésztermékek	9 142,4	27 374,0	36 516,4	103,6	95,5	97,4
(13) Alkatrészek	6 392,8	8 163,7	14 556,5	129,8	119,5	123,8
(14) Gépek, szállítóeszközök,						
(15) egyéb beruházási javak	15 618,6	9 422,9	25 041,5	114,9	105,2	111,1
(16) Fogyasztási iparcikkek	6 932,3	5 777,2	12 709,5	97,1	101,5	99,1
(17) Élelmiszeripari anyagok, élő állatok,						
(18) élelmiszerek	2 138,3	8 069,9	10 208,2	95,8	73,7	77,5
(17) Mezőgazdasági termékek, élő állatok	240,8	2 482,7	2 723,5	133,3	72,2	75,7
(18) Élelmiszeripari termékek	1 897,5	5 587,2	7 484,7	91,4	74,5	78,1
(19) Összesen	72 023,3	74 332,4	146 375,7	106,0	94,8	100,9

## Key:

1. Product structure of the Hungarian foreign trade in the first half of 1982
2. Rubel
3. Nonrubel
4. Total
5. accounted
6. million forints
7. Identical time period of the previous year = 100
8. Export
9. Energy sources, electrical energy
10. Materials, semifinished products, spare parts
11. Raw and basic materials
12. semifinished products
13. Spare parts
14. Machinery, transportation equipment, miscellaneous investment goods
15. Industrial consumer goods
16. Food industrial materials, live animals, foods
17. agricultural products, livestock
18. Food industrial products
19. Total
20. Import

[Question] Many types of prognoses are brought to light. In your opinion what can be expected in the world's economy in the future?

[Answer] No favorable turn can be expected until early 1983. We will have to maintain and even significantly improve our results under continued poor market conditions.

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PROBLEMS RELATED TO ECONOMIC REFORM DISCUSSED

Warsaw PRZEGLAD TECHNICZNY In Polish No 3, 26 Jun 82, pp 24-27

[Panel discussion: "The Fifth Battle for Reform"]

[Text] Why is the introduction of economic reform confronted with great obstacles? What has become of the "old" resistance bastions who desperately defend their position in the struggle for reform? The following were participants in a news conference regarding economic reform: Prof. Janusz Goscinski (Lodz Institute of Technology); Henryk Michalski, M.S., (head accountant at the Warsaw Institution of Leather Industry "Syrena"); and Prof. Jan Mujzel (Polish Academy of Sciences, "PAN"). Representing the press were: Marek Rostocki and Adam Strug.

[Question] We have had serious problems in inviting representatives of industry. We phoned many directors of industrial establishments; practically all declined due to lack of time; only one stated directly: I have had enough of discussions on reform already. Why don't directors wish to speak--even in the editorial offices of the periodical which so many times defended their interests?

H. Michalski: There are several reasons for this reluctance. The first is, that as a result of consultation with enterprises their observations on individual projected changes were accepted; but finally, practically completely, unresolved. Second--during the past several weeks numerous establishments and their managements were polled on the subject of reform by various institutes, and we completed questionnaires comprising hundreds of questions. Thus, there is a surfeit of talk about reform and relatively little faith that the voices of industry can be of any avail.

J. Mujzel: Legislation pertaining to reform has its phases. Two fundamental statutes--self-government and enterprise--were born in the past year with the aid of very extensive consultation in an atmosphere of periodic dramatic discussion, and represented the fruit of compromise. A paradox--it did not meanwhile satisfy either side, and today both statutes are the bulwark in defense of economic reform. After all, they have nothing equal to them in prior reforms. Usually, speaking of reforms in the past, two dates are mentioned: 1956 and 1970. Presently I would be inclined to add a third: the 1940 years; the 1946-1948 period, the time of the original Polish research.

When thoughts are turned back to the systems-type changes in the country, the 1940's period cannot be forgotten. This was the first round to the Polish effort to erect a system of socialist economics which satisfies our aspirations and our conditions, which is appealing. This "economic miracle," this magnificent economic reconstruction which took place in 1946 and 1947, was the result of a prudent economic policy, of a psychosocial attitude; and to a significant degree, of intelligent, pragmatic activity in the sphere of systems-type solutions. Reference is made to the mixed pattern of the Polish economy at that time; the multi-sectors; the important role which the authentic cooperative movement plays; the national industry being managed with flexibility--this was really intelligent pragmatism--and it achieved great success.

[Question] You specified three conditions for the success of the 1940's: psychosocial attitude, economic policy and pragmatism in systems-type changes. The current psychosocial attitude is similar, as it is; economic policy is non-existent and political pragmatism is a reminder of the recent past. The parallel is remote, however, if these factors are lacking--does reform generally have any chances?

J. Mujzel: I feel that the concept of systems-type reforms, which originated in 1981 and is incorporated in the resolutions of the 9th Party Congress, and in the resolutions of the Sejm, is a good concept, more significantly mature than all preceding it. The fundamental document prepared last year, DIRECTION OF ECONOMIC REFORM includes three basic characteristics representing the evolution of historic experience. The first and foremost, in which are most strongly expressed the hints of future defeat, is the broad evolution of the sociopolitical strata of reforms. The 1981 reform is an untechnocratic reform, socialized, and probably could have been no different in the climate in which it was spawned. The conceptual pillars of this reform were: socialization of the central planning process (and so, the socialization of the decision process on a central level), as well as support of social relations in enterprise in independent trade unions and labor self-rule. A reconstruction of the structures of the national economic administration, and the expansion of the economic role of the Sejm and social organizations were to assure collaboration of social forces in the undertaking of decisions and control of the national administration.

The second element of maturity is the very significant uncompromising relation to the orders-distribution. Obviously even here there were concessions; they can be easily enumerated, but there were decidedly less of them than in prior reforms. Therefore, both statutes--concerning self-government and enterprises--actually became the constitution of enterprise, something completely novel. These are fundamental statutes. If the law contained in these statutes were honestly observed, then enterprise would really be protected. For the first time relations on the main front--between the administration and enterprise--were to be regulated by a law which had not been proclaimed solely by the administration.

And finally the third matter, just a short reference--another approach to economic law. This is likewise a lesson from the past, this emphasis on the

side of law on this, that the reform be enacted on the strength of Sejm statutes and not on standards of little importance.

[Question] And how does the situation appear in today's industry?

H. Michalski: I completely agree with Prof. Mujzel, that the pillars of reform are statutes on self-government and enterprise. Enterprise, following the passage of these acts, believed that reform will eventually become a fact. Above all, it believed that it had achieved true independence, a fundamental instrument for effective functioning. The present day situation is such that each day it receives decisions, instructions and orders from the outside which are inconsistent with these statutes; as well as such which, in keeping with the law, we are not obligated to respect at all. There is a renewal of imposing upon industry special production decisions. As a matter of principle, we could take some of these decisions to court--together with the ministerial decisions.

J. Mujzel: Toward the end of last year, certain reasons appeared which provided activity for the creation of temporary solutions resulting from temporary conditions. These temporary solutions overlapped the concept of reform; they gave it a different form in 1982, and in it is inherent, in my opinion, the chief danger to the future of the 1981 reform.

There were three reasons for the temporary reforms. First, imbalance, very profound confusion in the proportion of the national economy, and difficulties in the initiation of reform because of worse economic conditions. Because of this reason, the creators of the 1981 reform were mindful and provided certain solutions for the transition period. Secondly, enterprises for ten years functioned in an orders-distribution system with misshapen economics; and their displacement in 1982 by new pricing conditions, new foreign exchange rates, new financial and credit conditions had to bring about a significant distinction in the economic-financial situations of trade and enterprise. This distinction is not the consequence of smaller or larger efficiency in their work, but the result of decisions undertaken outside of enterprise. And so the problem of settling the starting conditions.

[Question] In other words many have been lost, even though the game had not yet begun...

J. Mujzel: This is one of the most important problems in initiating reform; arranging conditions in such manner that all personnel could more or less have equal possibilities to start working.

[Question] Only with the passage of time would efficiency distinguish the position of enterprise.

J. Mujzel: And there is a third reason--martial law. When reform was in the formation period, such possibilities were taken into consideration; it was assumed that the national understanding would remain firm and that conflicts would be exclusively political methods. Under these assumptions the concept of reform was constructed.

[Question] What essentially are the innate threats to reform? Nevertheless, in its basic form it is incorporated into life.

J. Mujzel: This I would not say. At least for the moment, a reform has been initiated other than that which was so laboriously created a year ago. The threats to that reform are included in those temporary solutions, in their range and forms. Their first is the drift in the direction of technocratic reform, omission of the social strata which was actually suspended. That which I allowed myself to acknowledge as the chief characteristic of the maturity of our reform--does not at the moment exist. The package of nine statutes passed in February of the current year was prepared and accepted quickly and actually without incident, because it was not in the final phase of procedure, actually of conditions for broader consultation and discussion. The second menace is the attempt to rebuild the intermediate departments of industrial management. In industrial enterprises, during the past year, there was practically a dominant unanimity to finally end the unions, once and for all and completely. In the organizational framework, they were one of the symbols of the traditional system. Now attempts are being intensified to reconstruct them in an altered form, under different insignia.

The third menace is composed of goods-foreign currency distribution, based on the concept of operational programs (there were to be 6 of them, there are 14), as well as on foreign currency allocations and assignments. I shall add, that a portion of these deviations from the incoming system, and especially their scope is excessive, and objectively unfounded from the point of view of economic realities. Beyond the controversiality of the range of these temporary solutions, they are incomplete and their construction is repeatedly defective--this refers to, for example, the distribution and settlement of starting conditions. I believe that in many instances we were dealing with a disregard for the knowledge accumulated in this field. These defects lead to, among other results, an unnecessary development of recognition, progress and paternalism in the relations of enterprise with the organs of authority.

H. Michalski: Temporary regulations, in defiance of the statute, not only limit the independence of enterprise, but even create the possibility of surprising it with completely novel, top-level, external decisions. Such a surprise for us will be the introduction of a stabilizing loan, burdening our earned profit by 30 percent after the prior payment of income taxes.

J. Mujzel: Of real significance are the starting conditions. For example, there was no evaluation of the fixed assets of enterprise. . .

J. Goscinski: But that item is being prepared. . .

J. Mujzel: This has been postponed since 1980, and the consequences of that, under inflationary conditions are obvious: the fixed assets of enterprises, especially of those that are older, are highly understated, and by the same token amortization is likewise understated. . .

H. Michalski: It is hopelessly low. . .

J. Mujzel: . . .the difference in profitability among enterprises can appear to be artificial by understating assets; the profit is sometimes artificially magnified. . .

H. Michalski: Yes, of course!

J. Mujzel: . . .amortization does not guarantee the reproduction of fixed assets for enterprise. . .

H. Michalski: Under no circumstances. . .

J. Mujzel: That happens because profits could include part of the amortization. This gives rise to a distorted picture of the profitability of enterprise; thorough enterprise accounting practices reflect distortions in its economics and end results.

J. Goscinski: But most threatening is the fact that because of understating assets, we truly tend to prolong and intensify the crisis. Since understating assets, we truly tend to prolong and intensify the crisis. Since undercapitalization of fixed assets in our economy has an accelerated tempo in this position--why there are no resources for investment, and likewise that which is worn out cannot be recreated, there is not even simple reproduction. There is danger that in a few years our national assets will crumble.

H. Michalski: If the 30 percent loan is introduced, the status of my business will be the following: inasmuch as I cannot stand before my personnel with bare hands; for example, without a 14th pension which had been promised at the very beginning of the reform, I shall have to, therefore, resign almost completely from the development fund. That is to say undercapitalization will grow yet more intense.

J. Mujzel: After all, there is another side to this coin. If somewhere by chance, there was a proportionate adjustment in the cost of equipment and that of exports, or official, regulated or contractual costs resulting in a 50 percent or 80 percent profit, then our profits flow from the "wind," as the English say--these are windfall profits. The minister of finance is aware that the national budget is not confined to a sum approaching, for example, 370 billion zlotys while there are tens of billions in enterprise profits which the people in the department of finance often regard, and not without reason, as unsubstantiated.

H. Michalski: Those are the observations of the people in the Ministry of Finance; but in practice, for example, in my case--with high profitability approaching 110 percent--I will still be short of money if that 30 percent loan actually takes place. . .

J. Mujzel: My concern is that in conjunction with such earth-shaking cost-financing, a complete, logical and objective method was necessary to cleanse the results of enterprise from unusual profits and losses at the starting point, in order to avoid decisions now by . . .

point of reform, in order to avoid corrections now by individual decisions of the ministers. Or, in order to achieve this with a progressive tax on profits up to 90 percent, as a result of high profitability, is really nonsensical and does not exist anywhere in the world.

J. Goscinski: That is a type of anti-incentive that is truly difficult to improve upon.

J. Mujzel: After all, as much as three progressions have been assumed: taxation of profits, progressive strain on the growth of the average salary, and progressive personal income tax which are in preparation. Certainly three severe progressions imposed on labor and income. Will this serve to increase production and effectiveness?

J. Goscinski: From the standpoint of logic, balanced taxation should be progressive, as it is everywhere. This should be the distinction in income tax which should not really be progressive. This is too much of a good thing. The imposition of taxes upon oneself certainly inhibits all stimulation on both sides--labor and consumer, as well as employer and producer. All these factors can only inhibit initiative.

[Question] Is reform, therefore, generally a fact? Because: anti-incentives in the sphere of production and export development; undercapitalization of fixed assets is a threat for several years.

H. Michalski: If I had not recently been surprised by the 30 percent loan, then I would, however, assess the present regulations positively in the aggregate, even though it is yet necessary to change very many of them, in order to untie our hands.

J. Mujzel: I think that, in spite of all, that an indubitable, positive change means a significant expansion of independence for enterprise.

H. Michalski: This is yet greatly subject to question.

J. Goscinski: I find that there is a great deal of deception in this. Because enterprise received independence, only the conditions were not created for enterprise to benefit from it; on the contrary--those conditions were created which actually deprive it of that independence.

H. Michalski: Our independence can be and is actually restricted every day, for instance by the decision of a bank official: he denies me credit and finis. Even in spite of such great profitability! I am not referring to investment credit, but to fundamental credit.

J. Mujzel: I do not understand that. . .

H. Michalski: And I did not understand that. But on 31 March it was stated that previous credit agreements do not cease; however, from 1 April, credit --will be limited to that extended on 31 March, 1982. Earlier in the whole



country, there were occurrences of the rapid repayment of all financial obligations by one enterprise to another. On 31 March I had a surplus of money and consequently my credit will be one-half of what it should be. Now I always have financial worries, even though the enterprise produces with great profitability! The bank demands plans from me which I do not at all need; it demands information from me which is completely unnecessary to me. With the existing mono-banks, I am compelled to yield to the will of the bank. This is how that independence which we constantly hear about appears in practice.

J. Goscinski: I read a message from the president of a provincial bank branch to a director of enterprise, whom he threatens with failure in the third quarter because prices were not raised. That president literally writes as follows: "in conjunction with the urgency to negotiate a partnership agreement we insist...under penalty..."

H. Michalski: There is no partnership with banks. For example, the bank asks me why I do not assign definite--but high--sums to increase self-financing. I beg your pardon--how much I assign to self-financing is my affair and only mine. As per regulations the decision belongs to me, and no bank representative has a right; he should not and will not compel me to relinquish my rights. However, he attempts to do this. Is this partnership? This is lawlessness! For this reason, we in the trade are considering the formation in our association--an association bank--which we formed voluntarily.

[Question] Speaking most briefly, the picture is, therefore, as follows: the menace to economic reforms appears extremely serious--the factors of socialized reform have been immobilized; profitability is miscalculated (which in the perspective of a few years causes undercapitalization of fixed assets); intermediate levels are being reproduced and interfere in the matters of enterprise contrary to statute; compulsory loans create serious threats to the financial system of enterprise; an absence of regulations in the sphere of economic jurisdiction; an absence of bank partnerships; last of all comes the strengthening of the economic hub, which from day to day is more certain of itself.

J. Mujzel: It is already quite clear that even in the incoming pattern of reform, its banking portion belongs to the most conservative. The banking apparatus struggled to maintain the status quo and in fact did so, strengthening only its own position in relation to the national administration. Whereas in its relations with enterprise, the bank maintained a monopolistic position and the position of a superior organ of financial control. I wish to add that if those 9 statutes of February 1982 matured under the type of conditions which existed before the introduction of martial law, it is possible such a banking solution would not have passed.

H. Michalski: Indeed, during the preparation of these statutes only one hundred consultants to enterprise knew what was in the wind. We, for example, knew that a strain on the union activities fund would follow; hence, I endeavor to give the people as much money as possible towards the end of the year.

J. Goscinski: The regulations directly stimulated a boost upward in the average wage.

J. Mujzel: You did the best from an employment standpoint, but the worst from the standpoint of national economy as a whole.

H. Michalski: An evaluation of the basis for income taxes is likewise not at all unequivocal. Accounting is not the way to grasp this item, considering that a tax is paid on the sales value and not on the production value. So how is the difference in inventories to be calculated? No one is able to answer this.

J. Mujzel: We spoke of understating fixed assets because of the inflationary changes in their value. Well, if the assets are understated, then the cost of the processed product is understated and hence, they overstate the rate of profitability and push enterprise--artificially--into high progressive tax brackets. And so, this failure to estimate fixed assets, a matter which is referred to as mathematical, technical and detailed, has far reaching repercussions in the economic status of enterprise and its accounts.

H. Michalski: Yes, this confirms the practice of enterprise in full.

J. Goscinski: This is especially painful where the fixed assets are huge. Because of this, it is said that such fields as metallurgy or mining are unprofitable... But this is not in the least a matter of effectiveness, production output, but of the artificial boost in the tax base of these industries.

[Question] If it were not for the stabilization loan, would you be satisfied with this reform, in the form in which it is introduced?

H. Michalski: Yes, I would be satisfied. I would then have funds to pay personnel; I would have guaranteed outlays for purposes of development, for investment credit payments, for an essential change of machinery park; I would not be required to beg for credit at the bank--because that is what it must be called--I think that I would yet have a small reserve for a development fund for next year.

[Question] Does the reform in its present form compel you toward anything?

H. Michalski: To fix control over expenses in the sphere of wages and control over the cost of finished goods.

[Question] Is that a lot?

J. Mujzel: It is a lot. But not enough and in addition this amount is threatened. Why did previous reforms fail? Because they did not have social security which could guard against a return to prereform methods.

J. Goscinski: As for the present, the only subject of economic life which strengthened its position, is the decision center. Never yet, in any of the



previous reforms, has the center come into its own so well in such a short time. It has no threats; enterprise is responsible unto itself; the center handles supplies; enterprise is responsible for wages--El Dorado for the center; to live; not die...

[Question] Decentralization of responsibility, centralization of profit... danger, hence, from everywhere--and what standing forces are for reform, for its consistent introduction?

J. Mujzel: There are such forces and such circumstances, and the battle has not been lost. Institutionally the Plenipotentiary Office on Matters of Reform is in support of reform. A very essential element is the support of the General and the leading representatives of the party and the government. General Juruzelski constantly and strongly declares this support which expands the real field of maneuvers for the people connected with the introduction of reform. However, I wish to add: if reform is to succeed, it will be necessary to rebuild its social wing as soon as possible, because within it lies--in my opinion--the main guarantee for its success. The immobilization of the social strata of reform not only restricts it; it places it in a state of danger. There are not too many who would desire to and could defend this reform.

J. Goscinski: I agree with this--and it must be added that treating the matter institutionally, it would be exceedingly advantageous in elevating the rank of the office of the minister of Reform to the extent that he would not be compelled to ask his fellow ministers about its initiation. At one time the concept of creating a Commissariat on Reform, directly subject to the Premier was introduced. Later it was abandoned and I am of the impression that it did not materialize.

J. Mujzel: I was and am an ardent advocate of such a solution. The September statutes of last year regarding national enterprise and self-government today also constitute a good defense of reform. They are already a legend, and in spite of appearances, it is not easy to raise a hand against them. Recent ideas to amend the statute on self-government, fortunately were dropped.

H. Michalski: If self-government was practiced by enterprise, the bank could not call into question that I designate so much money for this and so much for that...

J. Mujzel: You raise a problem of fundamental significance; the position of the director at the institute, in view of the administrative authorities, in view of the bank, is a function of the voices of self-government in enterprise; independence and the forces of enterprise are thus directly dependent.

H. Michalski: A resumption of the activities of self-government is necessary on the basis of last year's statute; self-governments without limited powers in relation to the statute. It seems that at the same time, if self-government is not to be a fiction or dummy, decisions are necessary in the matter of trade unions.

[Question] We are arriving at conclusions. Speaking most briefly, the picture is, therefore, as follows: the menace to economic reforms appears extremely serious--the factors of socialized reform have been immobilized; profitability is miscalculated (which in the perspective of a few years causes undercapitalization of fixed assets); intermediate levels are being reproduced and interfere in the matters of enterprise contrary to statute; compulsory loans create serious threats to the financial system of enterprise; an absence of regulations in the sphere of economic jurisdiction; an absence of bank partnerships; last of all comes the strengthening of the economic hub, which from day to day is more certain of itself.

J. Mujzel: Yes, only one clarification in the matter of the center. Here the issue is not one of any attack on the strategic, central idea in managing the economy, because it will undergo strengthening as a consequence of true reform. However, there was never greater anarchy then during the times of the "strong" decision center. At issue here are the attempts by the authorities to interfere with the powers of enterprise and the operational order which leads not to central management, but to bureaucratic anarchy.

[Question] What is to be done in this situation?

J. Mujzel: Fast action is needed in providing economic solutions. I recently suggested, for example, the immediate appointment of two groups which would competently work on the problem of distribution, as well as the system of foreign trade for the coming year. These are difficult problems; the solutions will not emerge from a sleeve. In my opinion, this work will require the assistance of competent people of good will, and I stress--to a large degree independent, and not exclusively the representatives of ministries or other interested institutions. There is also the matter of the systems-type solution to the question of evaluating fixed assets, the preparation of a proper gauge of profitability and proper motivation systems--to date neglected.

Thank you for your participation in the conference.

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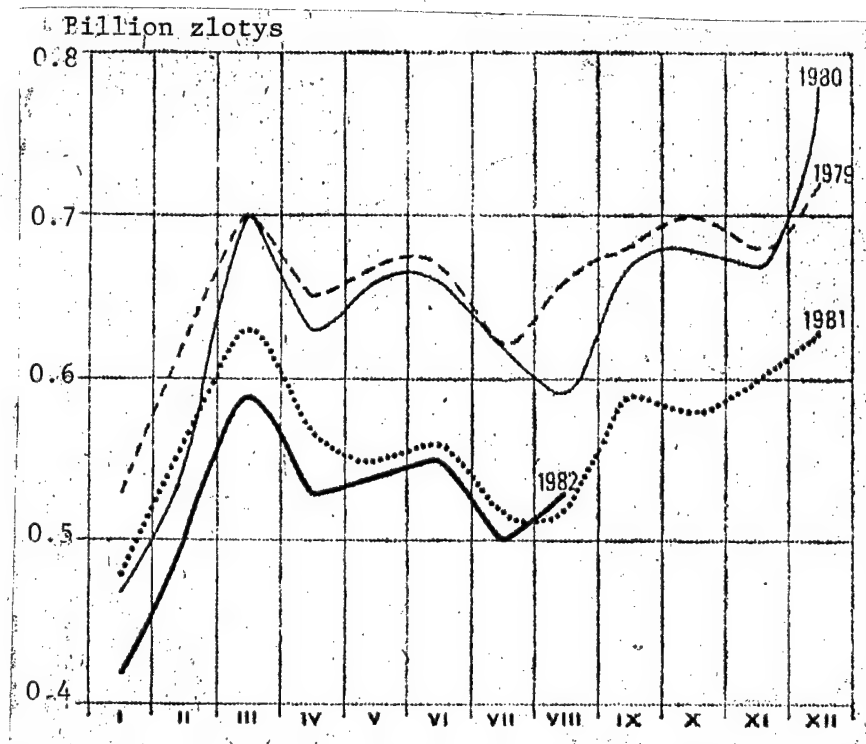
## AUGUST ECONOMIC SITUATION EVALUATED

## August Lights, Shadows

Warsaw ZYCIE GOSPODARCZE in Polish No 36, 26 Sep 82 p 7

[Text] The one percent growth in industrial production in August indicates that the level of this production has stopped dropping, although it is still 20 percent below that of August 1979. However, this is the first time in over two years that industrial production in any month has exceeded the level of the same month in the preceding year. This phenomenon is illustrated in the graph below.

Growth Rate of Sold Production in Socialized Industry in 1982 Prices



Also in the remaining sectors of the materials sphere, aside from agriculture, a comparison of data from August of this year with August of last year points to a slowing down in the downward trend.

In the construction-assembly enterprises the drop in basic production in August of this year in comparison with August of last year amounted to 9.9 percent, while over an eight-month period it amounted to 15.7 percent.

It is estimated that during the January-July period total outlays were 27.7 percent less than in a comparable period last year. This included a 21 percent drop in construction-assembly works.

In August of this year, 8,300 apartments were completed in socialized housing construction, which although a 12.9 percent increase over August of last year, is still far too low an amount. During eight months a total of 63,600 apartments were released for occupancy, i.e., 24,000 less than during the same period last year.

During the January to August period of this year, more apartments were completed and allocated for occupancy, calculated by usable floor space, than in the same period last year in the following voivodships: Ciechanow, 35.4 percent more; Lomza, 69.9 percent; Piotrkow Trybunalski, 7.5 percent; Przemysl, 57.4 percent; Radom, 14.7 percent; Siedlce, 2.3 percent; Sieradz, 35.9 percent; and Wloclawek, 34.1 percent. In the remaining voivodships fewer apartments were completed, and in four of them the percentage less was 45 percent and above. These were the Bielsko-Bialo Voivodship, 47.1 percent, Gdansk, 47.5 percent; Slupsk, 48.8 percent, and Suwalki, 45.2 percent.

In the January-August period construction of 816 new housing buildings was begun (33,100 apartments with a usable floor space of 1.8 million square meters) of which 151 buildings were begun in August.

In socialized transportation freight haulage declined 17.4 percent over the same eight-month period last year. This included an 8.1 percent drop in August, and of this, haulage by the State Railroads was 2.6 percent lower during the eight-month period and 2.5 percent lower in August. In public and industrial-branch automotive transportation haulage during the eight-month period was 26.5 percent lower, and 16.3 percent lower in August.

Employment in the four basic sectors of the socialized economy (industry, construction, transportation and communication, and trade) in August of this year totaled 7.69 million people, which was 0.42 million people, i.e., 5.2 percent, less than in August of last year. In socialized industry, employment was lower by 0.26 million people, i.e., 5.5 percent.

At the same time, workplaces continue to report a very large demand for new workers, which indicates that there are fundamental defects in the economic mechanisms. In June of this year a further large growth in the numbers of new workers required by workplaces was noted. There were job vacancies for 0.27 million people at the end of June. However, the number of people seeking jobs through employment offices at the end of June totaled 18,000.

This year's grain harvests were very welcome for August figures. It is estimated that they amounted to 21.2 million tons, as against 19.7 million tons obtained last year. However, due to unfavorable growing conditions (drought, mass pest infestation) this year's yields and harvests of potatoes will be lower than last year's,

and will be, respectively: yields, 148-155 quintels per hectare (in 1981, 189 quintels per 1 hectare); and harvests, approximately 32.1-33.8 million tons (in 1981, 43 million tons). Preliminary forecasts indicate that this year's sugar-beet harvests will also be lower than last year's and will amount to 13.3-14.1 million tons (in 1981, 15.9 million tons), and yields will be 274-285 quintels per 1 hectare, as compared with 338 quintels per 1 hectare in 1981. This will be compensated, however, by the higher sugar content of this year's beet harvests.

Procurement of four grains (together with grain mixtures without sowing seed) from 1982 harvests, from the beginning of the harvesting to the end of August, amounted to slightly over two million tons. This was 83.2 percent more than the procurement during the same period last year. But this is still insufficient in view of the reduced imports of grain and fodder.

Last week I wrote about the trends in procurement and animal-raising, including the rather dim prospects of hog raising as revealed in August statistical data, and can omit these problems now.

Data on the growth rate of prices and living costs are presented with a one-month delay. Current information shows that living costs of families of workers employed in the socialized economy were 110.5 percent higher in July of this year than in July of last year. In the first seven months of this year living costs, it is estimated, rose 102.1 percent in comparison with the same period last year. It is also estimated that this increase in cost of living was affected by the 149.7 percent increase in food costs, 107.5 percent increase in prices of alcoholic beverages, 81.5 percent increase in prices of nonfood items, and 64 percent increase in the price of services.

In comparison with June of this year, the cost of living indicator in July of this year for workers employed in the socialized economy was 3.5 percent higher, including a 4.5 percent increase in the price indicator for vegetables, potatoes and fruit. The increase in living costs was influenced mainly by the price increases on coffee, tea and wine, and also by the introduction of pure and flavored vodka sales outside of state control at prices on an average of 40 percent higher.

The highest increases, in comparison with June of this year, were in prices of tea and coffee--approximately 104 percent. Eggs, too, were higher than in June: about 40 percent higher in socialized trade, and about 25 cent higher on the free market; and also potatoes, about 56 percent higher in socialized trade, and about 41 percent higher on the free market. Vegetables cost about 10 percent less, and fruit about 25 percent less.

The populace's monetary income in August of this year amounted to 284.6 billion zlotys and grew by 118.7 billion zlotys, i.e., 71.6 percent, in comparison with August of last year. Emoluments for work (including workers' compensations) increased by 39.2 billion zlotys, i.e., about 43 percent, and social services (excluding compensations) rose 10 billion zlotys, i.e., 48.7 percent, and with compensations paid within the framework of social services, by an additional 32.3 billion zlotys. The populace's income from sales of farm products to units of the socialized economy increased by 29.9 billion zlotys, i.e., 91.4 percent.

The average wage (together with workers' compensations) in the four basic sectors in the socialized economy in August of this year amounted to 11,087 zlotys and was 3,678 zlotys higher, i.e., 49.6 percent, than in August last year. In industry it amounted to 11,181 zlotys (a 55.7 percent increase), including 21,073 zlotys (a 72 percent increase) in the mining industry; 22,473 zlotys (a 73.9 percent increase) in the coal industry; 10,576 zlotys (a 47.8 percent increase) in the processing industry; 10,829 zlotys (a 36.9 percent increase) in construction; 10,362 zlotys (a 37.9 percent increase) in transportation and communication, of which the average wage in transportation was 10,683 zlotys (a 37.7 percent increase) and 8,598 zlotys (a 41.1 percent increase) in communication; and 9,065 zlotys (a 49.9 percent increase) in trade.

The average wage over eight months in the four basic sectors amounted to 10,525 zlotys, a 46.3 percent increase over the same period last year.

Data also became available on the average wages in the entire socialized economy for the first six months. These wages, together with workers' compensations, amounted to 9,881 zlotys in the first six months, and increased 44.7 percent over the first six months of last year. In the particular sectors of the socialized economy they were as follows: in the municipal economy, 9,621 zlotys (41 percent increase); housing economy and nonmaterial municipal services, 8,304 zlotys (36.8 percent increase); science and engineering development, 9,186 zlotys (32 percent increase); education and upbringing, 8,793 zlotys (53.6 percent increase); arts and culture, 7,943 zlotys (37.3 percent increase); health and social welfare, 9,011 zlotys (60.9 percent increase); physical culture and rest, 7,938 zlotys (40.8 percent increase); state administration and administration of justice, 9,190 zlotys (38.2 percent increase), in which state administration wages averaged 8,738 zlotys (40.6 percent increase) and administration of justice, 10,332 zlotys (32.7 percent increase); and finances and insurance, 8,271 zlotys (45.2 percent increase).

The populace's monetary expenditures in August of this year amounted to 258.6 billion zlotys, an increase of 111.4 billion zlotys, i.e., 75.7 percent, over August of last year. In this, expenditures for purchase of goods totaled 215.8 billion zlotys, which means an 84.7 percent increase in these expenditures. The growth in expenditures for purchase of goods was more rapid, therefore, than the total monetary expenditures, and the share of expenditures for purchase of goods in the populace's total money expenditures increased from 79.3 percent in August of last year to 83.4 percent in August of this year.

The value of retail sales of goods by units of the socialized economy in August of this year totaled 230.5 billion zlotys, of which 118.8 billion zlotys was in sales of food items (together with alcoholic beverages) and 111.7 billion zlotys was in sales of nonfood items. In comparison with August of last year, the value of retail sales increased, calculated in current prices, over 87 percent. Preliminary estimates indicate that the value of food sales increased two-and-a-half-fold, nonfood items approximately 45 percent, and sales of alcoholic beverages over two-and-a-half-fold. A similar growth rate was observed in July of this year as compared with July of last year.

After approximatively eliminating the influence of price increases, retail sales in August of this year, as compared with August last year, dropped about 17 percent.

Food sales dropped approximately 11 percent and nonfood sales approximately 28 percent, but sales of alcoholic beverages increased about 28 percent.

During the January-August period this year, the value of retail sales of goods was 71 percent higher than during the same period last year, calculating in current prices. It is estimated that the value of food sales had more than doubled, alcoholic beverages sales had increased over 80 percent, and nonfood items had increased 48 percent.

After approximatively eliminating the influence of price increases, retail sales of goods during an eight-month period were 19 percent below those of the same period last year. Preliminary estimates indicate that the decline in food sales was 15 percent, alcoholic beverages about 15 percent, and sales of nonfood items, 23 percent.

The value of stocks of goods in retail and wholesale market trade on 31 August of this year amounted to 282.6 billion zlotys, calculating in current retail prices. Of this amount, stocks of food items (together with alcoholic beverages) accounted for 65.7 billion zlotys, and nonfood stocks, 216.9 billion zlotys.

The populace's monetary reserves in August grew by 26 billion zlotys, of which 9.8 billion zlotys was in cash. Over eight months the growth in the populace's monetary reserves amounted to 242.9 billion zlotys, of which 128.1 was in cash reserves. As a result, the total sum of the populace's money reserves at the end of August amounted to 1,293 billion zlotys, including cash reserves of 494.5 billion zlotys.

#### Financial Situation of Enterprises

Warsaw ZYCIE GOSPODARCZE in Polish No 36, 26 Sep 82 p 7

[Text] GUS (Main Statistical Office) data on the financial situation of enterprises for the month of August tells us that the socialized enterprises in the January-July period this year (due to the data-collection procedure a month's delay in reporting occurs) realized favorable financial results, amounting to 813.4 billion zlotys, although some of the enterprises suffered losses amounting to 99.6 billion zlotys (this pertains mainly to railroad transportation). Many enterprises are still being subsidized, which is due principally to the fact that official and regulated prices were fixed at a level below the costs of manufacture. Expenditures from the state budget as supplements to the operations of enterprises totaled 460.3 billion zlotys during the seven-month period this year, and of this, subsidies accounted for 354.8 billion zlotys.

Food industry enterprises were the most highly subsidized, 122.7 billion zlotys, (of which the egg-poultry enterprises received 46.7 billion zlotys, and the meat and dairy enterprises 45 billion zlotys each [?]). The hard-coal mines were subsidized in the amount of 36.8 billion zlotys, and chemical industry enterprises, 12.1 billion zlotys, including 6 billion zlotys for artificial fertilizer production and 3.1 billion zlotys for chemical fibers. Automotive transport received 37.5 billion zlotys and railroad transport, 35.7 billion zlotys.

The sums that the enterprises owed the state budget (budget income) from the division of accumulation were 8.5 percent less than the supplements, and amounted to 421.1



billion zlotys. The turnover tax, which amounted to 317.1 billion zlotys, constitutes the largest part of the liabilities. The largest burden of turnover tax fell upon the spirits and yeast enterprises, 116.7 billion zlotys, and also on the wool, knit-hosiery, and cotton enterprises. Also, the profits of the socialized enterprises were debited with an income tax amounting to 414.9 billion zlotys.

Total sums owed to the state budget from income and turnover taxes exceeded budget supplements to socialized enterprises by 81.6 percent.

In comparing three basic sectors of the national economy (industry, construction, and transportation and communication) it appears that the situation in industry is relatively the best. In industry, prime costs of sales constituted (in an eight-month period) 85.2 percent of the value of sales in selling prices, profit equaled 15.7 percent of prime costs of sales, and financial accumulation, 17 percent of this cost. In industry, accumulation from sales amounted to 14.8 zlotys per 1,000 zlotys of sales value. In construction, the same indicators amounted to 86.5 percent (share of prime cost of sales in value of sales in selling prices); 15.0 (ratio of profit to prime cost); 15.1 percent (ratio of accumulation to cost); 135 zlotys (accumulation per 1,000 zlotys of sales). In transportation and communication these indicators were as follows: 108.3 percent; 17.9 percent; minus 7.2 percent; minus 86 zlotys.

Unfortunately, good financial results do not always attest to economical management in enterprises. They are particularly questionable when they are accompanied by a drop in production and an increase in prime costs of production. The financial situation in these cases is most often improved by price increases, which are facilitated by the monopolistic position of the enterprises or by irregularities in the mechanisms for establishing prices. The flow of money to enterprises through budget subsidies can often be similarly assessed (if this money makes the enterprises financial comfortable despite frequently high and unjustified costs). The question arises as to whether and how the financial-economic statistical reporting of enterprises can be developed to more fully explain this type of problem.

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POLAND

SPECIAL CURRENCY EXCHANGE RATE TABLE PUBLISHED

Warsaw TRYBUNA LUDU in Polish 4 Oct 82 p 7

[Text] Announcement of Exchange Rates Table No 40/82, effective 4 October 1982, by Stanislaw Majewski, president, Polish National Bank, on 4 October 1982.

In purchases of travelers' checks for rubles, issued by the USSR Foreign Trade Bank and payable outside the USSR in the currency of the country where cashed, an exchange rate of 11,799.00 zlotys per 100 rubles is applied.

II. Foreign-Currency Exchange Rates in Zlotys for Countries of the Second Payments Area [Capitalist Countries]

Exchange Rate Table No 40/82

Foreign Currency Exchange Rate in Zlotys for Countries of the First Payments Area

Exchange Rate for Commercial Payments

Country	Cur Symb	Currency	Foreign Exchange		
			Purchase	Sale	Average
CEMA countries	101	1 transfer ruble	67.66	68.34	68.00
Albania	315	1 clearing ruble	67.66	68.34	68.00
People's Republic of Korea	319	1 clearing ruble	67.66	68.34	68.00
Laos	322	1 clearing ruble	67.66	68.34	68.00
Vietnam	320	1 clearing ruble	67.66	68.34	68.00

Country	Curr Symb	Currency	Foreign Exchange and Money		
			Purchase	Sale	Average
Albania	215	100 lek	513.42	518.58	516.00
Bulgaria	202	100 leva	4,884.54	4,933.64	4,909.09
Czechoslovakia	203	100 koruna	429.84	434.16	432.00
People's Republic of Korea	219	100 won	1,243.75	1,256.25	1,250.00
Cuba	208	100 peso	3,227.02	3,259.46	3,243.24
People's Republic of Mongolia	204	100 tugriks	856.93	865.55	861.24
German Democratic Republic	205	100 marks	1,343.25	1,356.75	1,350.00
Romania	206	100 lei	431.56	435.90	433.73
Hungary	207	100 forints	291.42	294.34	292.88
Vietnam	210	100 dong	375.08	378.84	376.96
USSR	201	100 rubles	4,298.40	4,341.60	4,320.00

Exchange Rates Table No 40/82

Country	Curr Symb	Currency	Foreign Exchange		Money		Average
			Purchase	Sales	Purchase	Sales	
Saudi Arabia	771	1 rial***	25.22	25.48	--	--	25.35
Australia	781	1 Austral. dollar	32.65	83.49	81.41	84.73	83.07
Austria	786	100 shillings	487.73	492.63	480.38	499.98	490.18
Belgium	791	100 francs	176.91	178.69	174.24	181.36	177.80
Denmark	792	1 kroner	9.80	9.90	9.65	10.05	9.85
Finland	780	1 markka	17.92	18.10	17.65	18.37	18.01
France	793	1 franc	12.14	12.26	11.96	12.44	12.20
Greece	724	100 drachmas	120.84	122.06	104.74	123.88	121.45
Spain	785	100 pesetas	76.05	76.81	74.90	77.96	76.43
Holland	794	1 florin	31.32	31.64	30.65	32.11	31.48
India	543	100 rupees***	895.42	904.42	--	--	899.92
Ireland	782	1 pound***	117.19	118.37	--	--	117.78
Japan	784	100 yen	32.32	32.64	31.83	33.13	32.48
Yugoslavia	718	100 dinars	178.90	180.70	155.06	183.40	179.80
Canada	788	1 Canad. dollar	70.29	70.99	69.23	72.05	70.64
Kuwait	770	1 dinar***	297.70	300.70	--	--	299.20
Lebanon	752	1 pound	16.72	16.88	16.46	17.14	16.30
Libya	651	1 dinar***	292.74	295.68	--	--	294.21
Luxembourg	790	100 francs	176.91	178.69	174.24	181.36	177.80
Norway	796	1 kroner	12.45	12.57	12.26	12.76	12.51
Portugal	779	100 escudos	98.44	99.42	85.32	100.91	98.93
FRG	795	1 mark	34.25	34.59	33.73	35.11	34.42
United States	787	1 dollar*	86.76	87.64	85.46	88.94	87.20
Switzerland	797	1 franc	39.94	40.34	39.34	40.94	40.14
Sweden	798	1 kroner	13.81	13.95	13.60	14.16	13.88
Turkey	627	100 pounds	53.07	53.61	46.00	54.41	53.34
Great Britain	789	1 pound**	147.69	149.17	145.46	151.40	148.43
Italy	799	100 lira	6.10	6.16	5.29	6.25	6.13

[footnotes for table]

- \* Valid also in clearing accounts with the following countries: Bangladesh, Brazil, Ecuador, Greece, Iceland, Kampuchea, Colombia, Lebanon, Pakistan, Peru and Turkey.
- \*\* Valid also in clearing accounts with the following countries: Nepal and Pakistan.
- \*\*\* The Polish National Bank does not purchase money in these currencies.

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REVIEW OF INVESTMENT PRACTICES PUBLISHED

Warsaw INWESTYCJE I BUDOWNICTWO in Polish No 2-3 Feb-Mar 82 pp 33-35

[Article by Edmund Czarski: "From Investment Practice in the Years 1976-1980"]

[Text] One of the basic tasks at present is the configuration of the investment front. Work discipline and organization, orderliness and regularity, and the level of economic management (for example, in the field of using and conserving specialized building equipment, means of transportation, machinery and equipment, consumption of and accounting for materials, and the quality of performance) is at a very low level in investment-project construction.

The reasons for the emergence of typical liberalism in the investment front are varied. It seems that the origins can be found in a one-sided attitude toward processing indicators, which caused the object of interest in enterprises to begin to be intermediary results rather than final ones. This weakened control and stability in the investment process, the consequence of which was excessive extension of investment cycles, failure to reach the envisaged technical-economic parameters, low work quality and labor productivity, extensive absenteeism and stoppages, and "rush work." A mechanism was developed for directing building enterprises toward intermediary and "processing" phases rather than toward a final result or finished facilities--beginning excavations, increasing the number of unfinished buildings, and so on.

The Katowice Voivodship, which previously had an enormous concentration of investment outlays, is currently afflicted by the paralysis of investment activity prevailing in the country.

In 1970-1980 investment outlays in the socialized economy came to about 750 billion zlotys (about 480 billion of them in industry) and took the following shape in individual years (in current prices):

in 1970, 25.4 billion zlotys (13.9 percent of national outlays),  
in 1975, 82.0 billion zlotys (16.4 percent of national outlays), and  
in 1980, 116.0 billion zlotys (21.6 percent of national outlays).

The valid conviction that there is a close relationship between the size of investments and economic growth has been discredited in the Katowice Voivodship by the practice of introducing improper investment trends.

The share of outlays for industry in the total of investment outlays was maintained in the voivodship for 20 years at a steady high level (approximately 69 percent). As a rule this happened at the cost of the extent and quality of housing construction, community and social infrastructure facilities and their use (water intake and supply, sewage discharge and treatment, heating, power and gas equipment, and telecommunication centers), at the cost of basic and specialized medical care (in-patient and out-patient), facilities for mother and child care, social aid agencies, medical rehabilitation institutions, and at the cost of mass transport and communication, trade, agriculture, education and culture.

The steady planned increase in tasks (quantitative and of a planned processing value) has deviated systematically from their execution, which reached only about 53.5 percent in 1980 (30.1 percent of the local plan). At the same time they tolerated "wild" investments and the construction of forest cottages and villas (often breaking building code regulations and due protection of the agricultural area) at the cost of shortage and deficiencies in the housing policy.

Another shortcoming in the practice of investment completion was the high degree of dispersion in the building industry. Some 189 building enterprises were located in the voivodship area, including 149 building and mounting enterprises (of the total number of 1,230 in the country), subject to 36 associations and 14 ministries (as of 31 December 1980) and employing approximately 215,000 people, constituting almost 20 percent of those employed in this branch in the country.

A different profile of the activity of the building and mounting enterprises determined that their scope included the entire country, and they performed work worth about 11 billion zlotys annually outside of the voivodship. At the same time the shortage in capacity was supplemented by the enterprises from outside the voivodship area with the production of about 13 billion zlotys worth of basic production. These enterprises worked mainly for the "Katowice" Metallurgical Plant.

For a number of years the building and mounting enterprises of the building ministry had constructed approximately 60 percent (78 percent nationwide) of all of the socialized housing construction, and about 60 percent (90 percent nationwide) of the socialized housing construction for the non-agricultural populace. In addition these enterprises constructed approximately 51 percent (70 percent nationwide) of the public facility buildings and 36.6 percent (70 percent nationwide) of the engineering construction associated with land development. The general growth rate in investment outlays in the socialized economy in the last 5 years took the following shape.

Table 1	1976	1977	1978	1979	1980
Growth rate of investment outlays (Constant prices of 1 January 1977)	111.9	96.8	98.5	96.5	103.7
		Previous year = 100			

The table reveals a clear lack of rhythm which is characteristic, and not only of the investment process in the voivodship. Voluntariness, trust in the infallibility of decisions adopted, a change in priorities, a faulty structural division of resources, a shift in resources and their constant shortage, excessive transport-intensiveness in the investment process, and primarily "delays" determined the rather random level of plan fulfillment. The latter never had decisive significance and counted mainly on the introduction of new investments into the plan and on their initiation (deviations from the plan went as high as 30 percent). The average implementation cycle of investment was thus constantly lengthened (Table 2).

Table 2

		1976	1977	1978	1979	1980
Average cycle of implementation in months	Directive-type	58.0	40.4	45.2	37.6	28.2
	Actual	59.2	43.5	51.7	57.6	34.3
	Directive type = 100	102.1	107.7	114.4	126.6	121.6

To the background of the data in Table 2 should be added that more than 60 percent of the investment tasks were "rummaged through" and implemented with a considerable extension of the originally compulsory building cycle.

In the face of the delays in meeting parts of the tasks, the deadlines for putting them into service were shifted. For example, this referred to 32 investments (that is, 12 percent of the settlement and final tasks) in the group of tasks finished in the central plan in 1978, to 60 investments (that is, 20.7 percent) in 1979 and to 83 investments (that is, 33.7 percent) in 1980. But even these extended terms were not met by the contractors in a large number of the tasks. The unfortunate situation of 1978-1979 within the implementation cycle was continued into 1980 as well. It is estimated that approximately two-thirds of the investments were implemented late.

Increased freezing and commitment of outlays were caused by the high level of investment in the voivodship, the introduction of new tasks to be implemented and the extension of the implementation cycles with a drop in the growth rate of investment outlays for investment construction. The level of commitment of investment outlays in the voivodship economy took the following form in successive years (Table 3).

Table 3

Item	1976	1977	1978	1979	1980
Total commitment in billions of zlotys including	151.5	134.7	189.9	289.1	302.4
Particularly important investments	58.9	37.3	77.9	68.1	117.1

Against the background of outlays implemented for investment construction in 1980, amounting to 73.4 billion zlotys, the commitment coefficient in the voivodship as of the end of the year exceeded 4 years, with 6.2 years in the area of the metallurgical ministry investments, 3.6 years for mining, 3.4 years for local plan investments and 2.5 years for cooperative housing construction.

The state of freezing in the individual years took shape in the voivodship economy as follows (Table 4).

Table 4	1976	1977	1978	1979	1980
Item					
Total freezing in billions of zlotys including	111.7	106.3	87.9	108.5	113.2
Particularly important investments	67.1	57.7	36.3	22.3	39.4

The above shows that the low level of plan implementation, especially the plan of turning facilities over to use, was reflected at the end of 1980 in the high state of freezing of outlays in investment construction (113.2 billion zlotys), including the increase in stocks of unutilized machinery and equipment (10.3 billion zlotys) and the increase in committed outlays for following years in the amount of 302.4 billion zlotys. The share of the voivodship in the country amounted to:

- in the area of frozen outlays, 14.4 percent, and
- in the total commitment, 24.6 percent.

A favorable trend appeared in 1976-1978 in the process of utilizing facilities obtained from investment activity, while a weakening in results in this sector appeared in 1979-1980.

In the period of 1976-1980 the amount of investment outlays implemented in the socialized economy of the voivodship amounted to a total of 521.8 billion zlotys, constituting 18.3 percent of national outlays.

Moreover a weakening trend is observed in the fulfillment of the plan of turning to use the tasks in socialized investment construction and is presented as follows in 1976-1980 (Table 5).

Table 5	1976	1977	1978	1979	1980
Item					
Central plan	84.8	88.4	89.6	80.6	62.4
Local plan	62.9	70.4	62.0	75.5	36.2

However, it is worth pointing out that in the central plan, despite the drop in the growth rate, outlays have considerably increased in the mining ministry from 24.9 billion zlotys in 1976 to 46.2 billion zlotys in 1980. This is associated among other things with the initiation of the construction of new mines.

The highest concentration of investments in the country has appeared in the Katowice Voivodship that are of particular importance for the national economy and come to 33 investments in 1976, that is, 40.2 percent of all outlays in the voivodship, and 23 investments in 1980, that is, 16.7 percent of all outlays in the voivodship.

In 1976-1980 a definite growth appeared in outlays for nonproduction investments in the voivodship. Their share in total voivodship outlays is shown in Table 6.

Table 6

<u>Item</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Nonproduction investment in percentage	14.3	16.5	19.6	24.1	24.5

The undeniable total growth in investment outlays for nonproduction activity, presented above, was not able to change the ratios set by long-term and marked preferences in the development of the production and nonproduction spheres.

Weak points in the investment process, particularly the frequent "delays," the extension of the investment cycle and the very extensive freezing of funds also affected nonproduction investments. Here the share of outlays for the social infrastructure is far from meeting the needs. In 1980 this share in the investment area in science and the development of technology amounted to 0.3 percent (0.8 percent in 1975), in the area of education and training it reached 0.8 percent (1.3 percent in 1975) and in the area of health protection and social care it came to 1.1 percent (0.8 percent in 1975).

These highly unfavorable disproportions between the main components of the social infrastructure and the sphere of production activity within the voivodship continued and, in some cases, even intensified the appearance of barriers to the socioeconomic development of the voivodship.

Today, in view of the high degree of property depreciation, more than 45 percent of the base existing in in-patient medical treatment should be subject to liquidation. At the same time we need almost 100 kindergartens, 40 elementary schools, approximately 350,000 m<sup>3</sup> of library space, 70,000 seats in movies, 40 cultural centers, 50,000 seats for diners and more than 320,000 m<sup>2</sup> of shop floor space. The goal of employing some additional 19,000 people, mainly transients, in the mines in 1981-1982 is producing a special concentration of social needs (housing, water, heat, transportation, nurseries, kindergartens, schools, social services, culture, accessories and so forth) in such urban areas as Jastrzebie, Wodzislaw and Ruda Slaska.

The lack of processing capacity to implement the local plan investments is an inhibiting factor and weak point in the area of social infrastructure development in the voivodship. A radical change in this state of affairs is an urgent task in the very near future.

Since 1981 the entire national economy has exhibited a fundamental reduction in the level of investment, which is particularly reflected in the Katowice Voivodship. Implementation of approximately 80 investment tasks with a cost calculation value above 170 billion zlotys has been suspended. The reductions mainly concern the metallurgical and the machine industry ministry and the ministry of mining and power. The share of outlays for production investment



is dropping to 31 percent, with a simultaneous assignment of priorities to facilities for education and training, health protection, the agriculture and food block, transportation, power and residential construction, the resources and structure of which constitute one of the main concerns of the voivodship administrative authorities.

6806

CSO: 2600/794

## PROGRESS OF ECONOMIC REFORM IN ENTERPRISES ANALYZED

## Performance of Supply System

Warsaw ZYCIE GOSPODARCZE in Polish No 29, 8 Aug 82 p 7

[Article by Andrzej Szeworski]

[Text] In the period from March to June of this year, the Institute of National Economy conducted a survey on the operating conditions of enterprises in the initial phase of implementation of the economic reform. The survey covered 5 machine industry enterprises, 12 light industry enterprises, 7 chemical industry enterprises, 2 food industry enterprises and 1 enterprise each from the furniture, optical and porcelain industries as well as from the group of so-called other industries. Studies and analyses were made of the four key areas of actual activity of the enterprises, namely, supply of materials and technology, investment activity, foreign trade and labor management. The results of the survey will be presented in four consecutive articles in our weekly. Today we publish part one, dealing with supply.

One of the principal aims of the economic reform being implemented is to create conditions for better management of the turnover of the supply of materials and technology by abandoning a detailed, central distribution system in favor of freely concluded agreements between independent enterprises. The crisis in our economy, reflected, among other things, in an acute shortage of basic raw materials and other materials, has led to the adoption of a variant that restricts the intended solutions for the supply system and to the creation of preferences for those products that are regarded as indispensable. The restrictions have consisted, on the one hand, in the introduction of a central distribution system with regard to selected basic raw materials and other materials, as well as machinery and equipment, their turnover being controlled by the obligatory service of designated supply centers, and, on the other hand, in the designation of economic priorities through controls, within their scope, by so-called operational programs. Participation in the implementation of operational programs, whose targets imply full material and technical backing, entitles an enterprise to priority and preferential treatment in obtaining supplies.

## Defects of Central Distribution

As it turns out, the intended supply system has been, in practice, dominated by its modifications. Only 4 out of 30 surveyed enterprises are not participating in the implementation of an operational program, and only in one instance (a pharmaceutical enterprise) do supplies obtained through freely concluded agreements represent a significant figure of 55 percent. In nearly all the enterprises, the bulk of the supplies is obtained through obligatory agency service--which means that it is centrally distributed. The operative scope of freely concluded agreements (except for the above-mentioned instance) is very narrow and in just a few cases does it constitute 20-30 percent of all supplies, more frequently ranging from 10 to 20 percent.

The survey does not make it possible to assess to what degree the supplies implemented within the framework of operational programs originate from a central distribution system and to what degree they involve supplementary materials obtained through freely concluded agreements. In the estimation of 8 of the surveyed enterprises (which are implementing operational programs), the operative supply system is unsatisfactory, whereas it is satisfactory in the estimation of 4 enterprises; on the other hand, the remaining 14 enterprises either do not express qualitative opinions or state that operational programs have brought about no change. The enterprises that give a positive assessment of the system have been assured complete funding of their needs for materials within the framework of production, which is included in operational programs, whereas the remaining enterprises receive incomplete funding, a fact they either assess negatively or express no opinion about.

The central distribution system of raw materials and other materials is the principal source of supply for the surveyed enterprises. It is difficult to assess the differences in the operation of individual turnover centers, because the respondents did not mention this subject. It is possible to surmise that only fuels and energy are allocated, regardless of whether an enterprise is implementing an operational program in the form of an allotment that must not be exceeded under threat of heavy fines. The remaining supplies of materials and technology, whose turnover is included in the obligatory service of centers, are obtained by the enterprises through one of the following procedures:

--making a request [for supplies] to the office of the plenipotentiary for an operational program, who subsequently allocates supply centers to the enterprises according to his own distribution list;

--making a request for materials directly to centers of obligatory agency service;

--utilizing the agency service of specialized supply enterprises that are being created within the framework of associations.

The latter procedure is operative in the association of knitwear and hosiery industry. Their estimates of their needs for materials and raw materials are broken down into operational programs and into quarters. The plenipotentiary,

after totaling the orders, refers the matter to a specialized supply enterprise, which then allocates turnover centers and suppliers to the enterprises.

The enterprises point to the following defects of the operative system of central distribution:

1. Agency service centers, and plenipotentiaries, often make binding designations of suppliers. It often happens that the location of a supply source is inconvenient for an enterprise (there is an alternative of utilizing sources located closer by) or the quality of production of the allocated supplier is unsatisfactory.

Enterprises are helpless in such cases.

2. Centers and suppliers do not have a binding obligation with regard to deliveries even when an enterprise is implementing an operational program.

3. Some centers are influenced by special considerations, e.g., the Center for Coal Turnover supplies first those enterprises that are implementing an operational program of coal mining and transportation.

4. There is widespread failure to meet the demand for raw materials and other materials for the implementation of operational programs and, in the opinion of many enterprises, there is no possibility of obtaining centrally distributed materials outside of an operational program.

5. There are cases in which the bureaucratic procedure of operation of some centers of obligatory agency service results in a faulty supply structure in the enterprises (due to the general shortage of most materials, any surpluses originating in the enterprises may not be included in the turnover within the framework of freely concluded agreements).

#### Within the Framework of Freely Concluded Agreements

On the basis of the survey it is difficult to determine what portion of supplies for production included in operational programs is purchased by the enterprises within the framework of freely concluded agreements. It is possible to ascertain that, just as in the case of obligatorily distributed materials, participation in the implementation of an operational program does not guarantee full implementation of an agreement by a supplier. As for obtaining supplies through freely concluded agreements made outside operational programs, this concerns a negligible portion of the requests of enterprises, such as supplementary materials; frequently, however, it concerns important and indispensable production components.

The negligible market supply, accompanied by the huge and unmet demand of the enterprises, creates a situation in which half of the surveyed enterprises conclude agreements with virtual monopolists. Hence widespread price-fixing by the suppliers, not subject to negotiation in most cases. Only five enterprises mentioned price negotiations being conducted at the time that an agreement was being concluded. The conditions of agreements are burdensome for

the consignees; the suppliers request repayment of their foreign currency contribution (eight enterprises), and in one case the supplier demanded participation in the expansion of the plant (a mine) supplying the customer. On the other hand, some enterprises are inclined to cede their foreign exchange allocation in order to purchase needed materials, but they cannot find a supplier. Three of the surveyed enterprises assert that the "freely concluded agreements" market does not exist in practice (they never came in contact with it).

Most frequently, agreements are concluded on the basis of old, traditional contacts whose scope becomes narrower and narrower. Only a few enterprises mentioned searching for a supplier on various commodity exchanges.

Better off are enterprises with long-term contracts for deliveries (e.g., of packaging materials), because now they only have to verify their conditions regarding prices. In connection with the shrinking of the "freely concluded agreements" market, the enterprises demand the establishment of a central data bank for bids and propose other, similar solutions.

Barter trade is a common form of transaction based on freely concluded agreements; frequently, it involves goods in short supply, not always of their own production (e.g., those used in personal hygiene). Only 1 of the 30 surveyed enterprises was given an opportunity to choose between two offers. In general, it is possible to assert that in the area of supplies that are included in the turnover based on freely concluded agreements, the purchasers have to deal with a "manufacturer's market," in all its negative aspects.

In the surveyed enterprises there is general uncertainty as to the long-range supply situation; a third of the surveyed enterprises did not even have guaranteed deliveries of raw materials and other materials for 1 April of this year. The remaining 20 enterprises had assurances of full or partial deliveries for the second quarter of this year, but only 5 of these had long-range prospects for continued deliveries. Agreements that continue into the future are conditional in nature, in the form of so-called understandings that generally are not binding on the suppliers.

Just as much concern is caused by the management of supplies in the surveyed enterprises. In almost all of them, the level of supplies is lower than the required standard, imperiling the continuity of production; this is related also to their defective structure.

In the surveyed enterprises that utilize the services of coproduction there is a prevailing opinion that virtually nothing has changed in this supply procedure. They do not notice any changes that might result from the elimination of associations, and they attribute the worsening supply situation (reflected, among other things, in the decrease in the number of coproduction enterprises) to general problems of supply. Only in one instance (enterprises in the household supplies branch) was there an affirmation of definite improvement in coproduction supply being a result of the implementation of an operational program.

## Assessment and Demands

It is difficult to assess the operation of the existing supply system in a situation of a general shortage of materials and raw materials and widespread complaints about this state of affairs. For it is necessary to separate factors resulting from an objective assessment of our economy as creating shortages and supply problems from the influence of the operative system mechanisms on this situation.

It appears that the assessment of the supply system by the surveyed enterprises was strongly influenced by the first of the above-mentioned factors, which does not hide the irregularities in the functioning of the operative mechanism. As mentioned at the beginning, the intended system of freely concluded agreements has been dominated by the introduction of an obligatory distribution system of basic raw materials, other materials and equipment, and by the designation of production priorities (operational programs). The sphere of operation of freely concluded agreements, which were to favor better utilization of raw materials and other materials, was relegated to the background. In this situation, a common solution was to search for sources of supply while "hitching up to an operational program," thus expanding the range of production to be included in operational programs. These actions, on the one hand, resulted in automatic restrictions on the scope of operations of freely concluded agreements and, on the other hand, created problems in the procedures for obtaining supplies as implemented within the framework of [operational] programs.

In many cases, the implementation of an operational program ceased to be a guarantee of full supply, thus undermining the effect of this solution, because the basic criterion of its effectiveness--complete totaling of needs for materials--ceased to be operative. The failure to total the need for materials within the framework of operative programs revealed the selfish concerns of centers rendering agency services in the turnover and the creation of supply "priorities," these being the well-known "traits" of the traditional supply system.

In light of this, a reduction in the number and scope of operational programs seems justified. As a result, we could expect an improvement in the supply situation within the implemented programs by providing them with all the needed supplies of materials; we could also be sure that a considerable portion of centrally distributed materials would become the object of freely concluded agreements (with the centers still rendering obligatory agency service). This would favor, first, better utilization of these materials and, second, might break the monopoly of suppliers outside operational programs--something that enterprises generally complain about.

Finally, it is worth mentioning that only very few surveyed enterprises question the procedure of obtaining supplies through plenipotentiaries, for reasons having to do with formalities and bureaucracy. At the same time, "enthusiasm" about operational programs and the central distribution system is expressed only by those enterprises that feel they derive definite benefits from it. Frequently, this is also a result of the still strong sentiment for the traditional supply system, which has been so "convenient" for an enterprise.

## Role of Investments

Warsaw ZYCIE GOSPODARCZE in Polish No 30, 15 Aug 82 p 9

[Article by Joanna Kotowicz]

[Text] A study of the investment activities of enterprises under the [economic] reform, conducted in 30 industrial plants, has demonstrated that only 1.3 percent (4 plants) of the economic units under study do not engage in such activities. Enterprises that make investments concentrate mainly on the implementation and completion of projects being continued from previous years (65 percent) and also on investment purchases of a renovative nature (69 percent). New investments are being initiated this year by 30 percent of the enterprises studied. Their own continued and new investments are predominantly small-scale modernization projects whose cost-estimate value ranges from 5 to 15 million zlotys and which are financed mainly from the development fund.

### Tendencies and Phenomena

In the group of enterprises under study, just two--food industry plants and optical industry plants--are implementing continued central investments. The first are continuing the implementation of four small-scale central projects (whose average cost-estimate value is 2 million zlotys), and the latter are continuing two significant projects, already far advanced (54 percent and 57 percent completed), which they expect to complete in 1983.

Two instances of new relationships between the indigenous development activity of enterprises and the central investment plans have to be noted. The first is a central investment, 80 percent completed, whose implementation had been assumed by a furniture enterprise (the "adoption" of an investment), which then altered its goal and applied to a bank for a final, modest portion of credit (10 million zlotys). Credit has been granted and the project is being continued as [the enterprise's] own investment.

The second instance is an attempt to include--via a ministry--a capital-intensive indigenous project in the central investment plan. An argument here was to be the considerable investment indebtedness of the enterprise, which would encumber profits to be shared until 1986. We should add that this enterprise had already secured the necessary import purchases (!). By the end of this first quarter, this project still was not included in the pool of central investments.

In seven enterprises out of those under study, a reduction in investment activity has been noted, with simultaneous initiation of protective activities being financed through bank credits.

In six enterprises, deferment of [investment] projects is of a temporary nature; only in one instance (machine industry) has there been complete relinquishment of the implementation of an export-oriented investment, highly effective under the old price structure but not ineffective because of the new price structure. While the value of a plant increased 3.5 times, the



increase in the value of its production was estimated at 1.8 to 2.5 [times]. For this reason, and on account of the enterprise's lack of credit capability, the bank refused to grant credit, despite the fact that the implementation of the investment had been preceded by long-time preparatory work, by the enterprise's participation in a city's infrastructure investments and by the opening of a school to train cadres for the projected plant. Protective work, financed by credit, has been initiated, the total outlay not to exceed 30 million zlotys.

One of the suspended central projects (food industry) has already been resumed in view of the market and proexport nature of its production.

An examination of the process of investing in the enterprises under study also indicates that this process, by concentrating on continued modernization and purchasing projects, is only indirectly oriented toward the implementation of projects that result from operational programs. It has complete contracting security, which is achieved for the most part through its own resources (e.g., repair teams). Only in one plant (pharmaceutical industry) did we ascertain that inclusion of the implementation of investments in an operational program made it possible to compel the contractors to shorten the implementation cycles, complete the work during the current year and accelerate deliveries of machinery and equipment.

The enterprises have complete independence with regard to decisionmaking within the scope of investment projects being undertaken by them; their development activity is not interfered with by the associations that are being formed.

#### Conditions of Financing

The extent and structure of the investment activities of the group of enterprises under study are determined by the very limited pool of funds available for the implementation of these investments. We can, however defend a thesis that under conditions of a sharp imbalance between investments and macroeconomics, the justified slowing down of investment demand, thorough a policy of "difficult" credit and of returning to the budget a considerable portion of amortization, has nevertheless intervened too drastically in the renovation activities of enterprises, leaving too small a pool of funds for indispensable renovation and modernization investments. This may pose, in the near future, a serious danger of depreciation of production-type fixed assets, which may affect our entire national economy.

The first factor that limits this pool of funds and generates the above-mentioned danger is the disproportionately small share of amortization that is left in the development funds of the enterprises in relation to the amount of amortization being returned to our [state] budget. This regulation is contrary both to the assumptions of the intended economic and financial system of investments (100 percent of amortization to be left in an enterprise) and to those of the system during the transitional period (70 percent--cf. "Organization and the Investment System" in the report of Group V of the Commission on Economic Reform, Warsaw, 1981).



From an analysis of the distribution ratios of amortization allowances in the enterprises under study in the years 1981-82, it follows that in 197 out of 19 enterprises furnishing complete data, the amounts of amortization allowances returned to the [state] budget during the current year considerably exceed the amounts returned for this purpose in 1981. Thus, in the majority of units under study (79 percent), there has been a sharp decrease in the indigenous funds available for renovation projects.

At the same time, we have noted successful interventions by enterprises at the Ministry of Finance to let them keep the entire [amortization] allowance in their development funds. The interventions were brought about with the aid of informal ties of enterprises with the ministries representing them. Three of these interventions, carried out by enterprises of the pharmaceutical and food industry, were successful. Full availability of amortization was expanded to include the majority of enterprises in the above-mentioned branches [of industry] implementing key operational programs.

Cooperative enterprises, whose principles of operation are defined by separate regulations, are also entitled to have full amortization available to them. In view of the special characteristics of these arrangements, we will devote somewhat more attention to them. These arrangements exist in two of the surveyed enterprises.

In the first, the total of the amortization provides 81.5 percent of the investment fund. The enterprise does not have an investment fund of the type defined in Resolution 243 of the Council of Ministers [RM] of 30 November 1981, but it has an investment fund that is replenished from amortization allowances and allocations from the profits to the investment fund made through the central office of the cooperative enterprise. The profits from the subordinate cooperatives are paid into a centralized pool of funds. There--after taxes are deducted--a centralized development fund is calculated. It was from this fund that the enterprise obtained money for its own investment fund during this year--15.5 percent from the latter fund plus 3 percent from the specialized production fund.

The amortization, with an encumbrance by investment debt amounting to 57 percent of the investment fund, will allow complete funding of the indispensable renovation operations of the enterprise during the current year.

The second serious danger to the self-financing of the needed renovation of the production-type fixed assets in the enterprises under study is represented by their being considerably encumbered with investment debts from past years. Under conditions of "difficult" bank credit, the enterprises pay off this debt from their development funds, and mainly from the available portion of amortization allowances.

In 20 enterprises (furnishing complete data), amortization provides, on the average, 30 percent of the development fund. Only in one enterprise are the proportions of the share of the supply sources of development reversed (15.5 percent from profits and 81.5 from amortization), with an amortization allowance of 100 percent.

In another enterprise, the entire development fund is earmarked for the repayment of investment credit, and in still another, as a result of a large debt, the fund has an adverse value. In electronic industry plants, the development fund is replenished with money from the social fund. In four enterprises, due to the difficulties involved in preparing an estimate-type forecast of profits (changing prices), no plan for a development fund has been prepared.

In 12 out of the 30 enterprises under study, an average 56 percent of amortization allowances has been earmarked for the repayment of credit obligations incurred by investment debts. Thus, repayment of debts incurred by investments that were often approved outside an enterprise, by encumbering its amortization fund, restricts the scope of an enterprise's limited renovation and modernization activities.

The situation of debt-encumbered enterprises varies greatly, not only because of differences in their credit capability but also on account of the particularly advantageous situation of some plants, whose debts have been paid by associations being liquidated from the latter's reserve and development funds. Such a situation has been observed in two of the enterprises under study. In a furniture plant, with planned net profits of 200 million zlotys during the current year, the association paid off a debt amounting to 500 million zlotys. This created a base for the self-financing of the development activity of the enterprise during the current year. Another example of the "buying out" of a plant by an association being liquidated is an enterprise of the rubber industry where, with a development fund of 176.9 million zlotys being planned for the current year, the association paid off debts amounting to 1.2 billion zlotys.

These examples indicate that the improvement in the financial situation of some enterprises, as a result of the repayment of their debt, increases the differentiation in the starting conditions of enterprises encumbered with investment debts, thus placing some of these enterprises in a privileged position.

Another factor that can limit the scope of available financial resources for the development fund is the introduction by the bank, when granting working-capital credit of additional requirements with regard to an enterprise's own working capital funds. To meet these requirements, enterprises replenish the charter fund from the financial resources of the development fund, which limits the scope of their investment activity. Among others, this problem was noted in machine industry enterprises, pharmaceutical industry enterprises and light industry enterprises. In one of the light industry enterprises, 80 percent of the development fund was earmarked for the financing of working capital, and 82 percent was so earmarked in another enterprise of the same [industry] branch. In still another enterprise, in view of the lack of indigenous resources for the renovation of very antiquated machinery, it has been ascertained that "machine revolutions are reduced purposefully to prolong the life of the machinery" (sic!).

The study of the field of investment activity also included estimates of the effectiveness of investments and the effectiveness standard (discount rate) in the credit relations of the enterprises with the bank under the conditions of the [economic] reform.

The bank estimate of the credit effectiveness of investment projects is based on two principal criteria:

--the period of return of incurred outlays and

--analysis of the correctness of the accounting formulas that are used by an enterprise.

One can also note instances in which the bank imposed an additional condition, e.g., that a plant be put in operation as of 1 January 1982 or that the production profile of a plant conform completely to the production range of a given ministry.

Credit capability is the basic criterion for granting all kinds of credit. As a side note, we can add that the relations with the bank were defined [by the respondents] either as "partner-type" or "formal and bureaucratic," depending on the extent of the credit capability of an enterprise and the resultant various degrees of difficulty in obtaining credit.

The calculation of the effectiveness of investments made by enterprises is still based on the E formula (particularly for modernization), supplemented by the criterion of the period of return and of renovation needs for the preserving the current level of production (pharmaceutical and optical industry). Other operative criteria are savings on raw materials (a rubber industry enterprise), improvement of work safety and conditions (bhp) and increased production by customers (optical industry).

This study provides a partial answer to a theoretical question now being asked--whether the cost effectiveness of an investment under the conditions of the reform should be based on one criterion or on many criteria. Despite the return period and the E index being essentially identical, the enterprises [under study] nevertheless utilize a number of additional noncosteffectiveness criteria in their estimates of purchase investments, most frequent at present.

Moreover, the study makes it possible to conclude that increasing the interest on investment credit from 8 to 9 percent did not strengthen the incentive effect of the interest rate on the development trends of investment demand. On the contrary, in some machine industry enterprises a 9-percent encumbrance by actually utilized credit is now regarded as less burdensome than an 8 percent encumbrance by credit granted and 6 percent incurred by actually utilized credit was before.

At the same time, however, the enterprises implementing the Zdrowie [Health] operational program demanded, for social reasons, that the interest on investment credit be lowered for them.

## Closing Remarks

Against the background of our study of the investment activity of industrial enterprises under the new systemic conditions, the following observations occur:

--Under the conditions of considerable investment indebtedness from past years and the introduction of so-called "difficult" bank credit, the investment activity of industrial enterprises is concentrated mostly on continued small-scale modernization projects and on renovation-and-purchase investments.

--There is widespread implementation of the process of reducing the scope of investments; projects are often suspended temporarily or abandoned, the enterprises simultaneously taking over ("adopting") some of the central investments. On the other hand, however, there are attempts to include capital-intensive indigenous projects of the enterprises in the central plan;

--The possibilities for simple reproduction of the production-type fixed assets of enterprises for the purpose of needed investments are very limited as a result of a considerable increase (contrary to the intended assumptions of the investment system) in the amounts of amortization allowances being returned to the [state] budget; use of financial resources from the development fund to repay considerable investment debts from previous years (often the whole development fund is earmarked for this purpose); and use of amounts accumulated in the development fund to replenish the charter fund for working capital. This constitutes a serious danger to the possibility of renovating fixed assets and a danger that these assets will be depreciated throughout the entire national economy;

--Approximately 30 percent of the development fund of the enterprises under study is replenished from amortization; instances of its being replenished from the social fund have been noted;

--Repayment of old-investment credit encumbrances of the enterprises by the associations being liquidated increases the differentiation in the starting conditions of the enterprises, placing some plants in a privileged position;

--The method for estimating the effectiveness of renovation-and-modernization investments being implemented gives the appearance of being based on multiple criteria. Actually, the bank and the enterprise use mainly two identical synthetic criteria, i.e., period of return and E index, supplementing them by a number of additional noncosteffectiveness criteria;

--There is little evidence of the incentive effect of increased interest rates on the slowing down of investment demand;

--Thus, general conclusions pertain to the need to standardize the starting conditions for debt-encumbered enterprises (e.g., by lengthening the period of repayment of credit obligations, if their cancellation is not possible);

considerable expansion in the scope of available amortization allowances of enterprises for the restoration of fixed assets; the need to revise the E index to make it an auxiliary, noncompulsory criterion of the estimate of investments; within this context, consideration of the possibility to diversify the discount rate as an instrument for allocating investment funds in accordance with the strategic directional preferences contained in the assumptions of the long-range development plan.

9577

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## CENTRALIZED REGULATION OF WAGE SYSTEM SUGGESTED

Warsaw ZYCIE GOSPODARCZE in Polish No 34, 12 Sep 82 p 9

[Article by Stanislaw Borkowska: "Centralized Regulation of the System"; passages enclosed in slantlines printed in boldface]

[Text] The so-called second stage of the emoluments reform, which is scheduled to take effect in January 1983, is now being actively prepared. I would like to contribute to the discussion on the shape of the reform several remarks touching on only one of its aspects, specifically, the scope and mode of centralized regulation in the wage system.

A clear definition of responsibilities of all organizational units regulating labor and wage affairs, namely, the central echelon, enterprises and trade unions, is a sine qua non precondition for an efficient wage system and the entire economico-financial arrangement.

### Colliding Functions

Wages perform both a social and incentive function. Wage equalization is crucial for the former, wage differentiation for the latter. Striking a reasonable balance between the two conflicting functions is not easy. The optimal point varies over time and depends on many socio-political and economic factors. In times of poverty and struggle for national survival (wars, revolutions, crises, etc.) society leans more toward equalization and during periods of development, toward differentiation based on labor input and the product of labor.

The role of the segment of wages directly related to labor has now decreased precipitously due to the high share of compensation and various allowances and services not related to labor input. This in itself explains the decline in the incentive role of wages, regardless of the market situation.

With an eye toward counteracting this undoubtedly harmful phenomenon /a larger share of social services should be transferred from the jurisdiction of enterprises to that of local and central authorities. In addition, the segment of wages which represents social-welfare type payments should be clearly separated out, whereas the remainder of wages should be persistently tied to outlays, requirements which the job imposes on the employer and labor output/.

Guaranteed protection of real wages, or, in other words, at least stable real wages is the second necessary premise for preserving the incentive function of wages. This is associated with the mechanism of growth in wages.

Thirdly, socially justifiable wage ratios should be insured, or such an income differentiation of society as will not cripple the incentive function of wages.

What Should Be Regulated by the Central Echelon?

The role of the central echelon in allocating wage funding to enterprises has been outlined, though some solutions give rise to doubts. However, the scope of centralized regulation of wage policy in particular autonomous self-governing and self-financed enterprises is still an issue under discussion.

The societal (social) incentive function of wages, i.e., the orderly performance of this function, imposes limits on this regulation. It cannot be carried out efficiently from the vantage point of enterprises. However, the incentive function of wages i.e., including the employees to achieve desirable results and to take difficult jobs, must be performed exactly in enterprises. Their mission is to produce goods and render services. Therefore, they must provide an incentive for employees to fulfill these tasks in the best possible way.

This means that the following would fall within the scope of centralized wage system regulation (besides the guidelines for providing funding for wages):

- fixing minimal wages (minimal remuneration and mandatory minimum of social services from the social and housing funds);

- fixing a mandatory standard (index) of growth in minimal wages due to increases in the cost of living, and, later, of their ratio to the average wage. This standard would also provide the basis for upward adjustment of the threshold of wages which are not taxed;

- establishing guidelines (methods) for evaluating labor, or so-called rating;

- establishing the so-called reference pay scales;

- regulation of basic wage ratios on a macroscale along horizontal and vertical lines (i.e., in the subsector-territorial mesh);

- establishing guidelines for paying guaranteed wages (their amount and time frame) to the employees of self-governing enterprises undergoing the process of reforms.

The above scope of centralized regulation of the wage system in the environment of autonomous, self-governing and self-financing enterprises may, and even should, be wider with regard to budgetary units.



A separate problem is presented by regulation of bonuses for work on days off, Sundays and holidays and for night shifts. In principle, these rates can be regulated by enterprises depending on the situation in the local labor market and need of the enterprise. However, an apprehension might arise that, for example, in smaller communities, where virtually no labor market exists, enterprises could use their monopolistic position to the detriment of social interests (working time and so on). These rates could be regulated by negotiations, provided that trade unions are efficient. However, at the initial stage of reform it seems feasible to establish in a centralized fashion lower limits of bonuses or brackets of rates with a spread large enough to provide for flexible action on enterprises.

#### How to Regulate?

In the period of surmounting the crisis, the minimum wage cannot be required to do more than to guarantee funds which are absolutely necessary to support oneself. However, later on, after a measure of market equilibrium has been restored, meeting this requirement will no longer suffice. /We should see to this that the minimum wage is not only pegged to the increasing living costs, but also increases along with the average wage./ Widening the gap between the minimum and the average wage would lead to the relative impoverishment of the poorest social groups or to the minimum wage being reduced to a fictitious category not used in practice.

Therefore, in the first years of reform the use of a realistic stabilized minimum wage would be appropriate, whereas in the next years--that of an increasing minimum wage.

The latter category was approved by the Ninth PZPR Congress as the principle of fixing minimum wages, with a provision that they must amount to about 50 percent of the average wage.

The establishment by the central echelon of a flexible mechanism for the growth [in minimum wages] is extremely important as far as the incentive function of wages.

/Now, the upward adjustment of wages on account of changes in the living costs unrelated to labor output seems to be most important due to rapid price increases./ However, in enterprises operating in the environment of the three S's [autonomy, self-government and self-financing], the attained efficiency of management and the result of labor of individual employees are the only sources of wage increases. Therefore, they must achieve at least the efficiency which will provide for wage increases that can keep pace with increases in living costs. Higher efficiency will provide for increases in real wages. Autonomous enterprises must use wage increases as an incentive. This makes it necessary to set up an integrated mechanism of wage increases with increases for both adjustment and economic reasons (on account of improved economic efficiency) built into it. The emphasis should be on the latter.

The substance of this mechanism can be outlined in several points.



First, the central echelon fixes the standard of adjustment in wages. Indexing would be mandatory and automatic only with regard to minimum wages and annuities, pensions and allowances. This standard increase should also be used to adjust the threshold of taxation of incremental wage funds (or on average wages) in enterprises.

The central echelon also fixes the standard (index) of the average wage increase in the tertiary sphere as a ratio to the actual average wage in manufacturing. This standard should take account of both adjustment and economic increases.

Manufacturing enterprises are obligated to increase basic rates in their pay scales at least by the standard adjustment applicable to minimum wages. This is identical with fixing a minimum standard of economic efficiency, if we assume that results of the enterprise are the source of funds for increases due to indexing. Increases in the rate of payment are not identical with wage increases for individual employees. A decision on increasing wages should depend on the evaluation of an individual's productivity. Increases in the rates can certainly exceed those called for by adjustment and can be differentiated by the amount and frequency, depending on the financing condition of the enterprise. Specific principles of wage increases (excluding minimum wages) would be negotiated between enterprises and trade unions. The state should assume the responsibility of safeguarding the interests of the poorest employees.

Indexing in enterprises can be extended only to employees and not to their families.

The above-mentioned mechanism of wage increases assumes the utilization of all shifts in wages, even of an adjustment nature, as incentives to work harder. Wage degradation, prescribed by many specialists, is not too realistic in practice. It is difficult to implement even in countries following very aggressive models in their wage policy. /It is much easier not to increase wages, bringing about a relative deterioration in the income situation of an employee and thus drawing his attention to the necessity of improving his own productivity./

The current extensive compensations which remain outside the wage rates should be included in the basic rates as soon as possible (in the first half of 1983 at the latest). Certainly, only employee compensations are meant here. /Family compensations should be paid out by the ZUS [Social Insurance Institution], because they should not be passed on to enterprise outlays or distort wage ratios./

The process of incorporating compensations [into basic wages] is labor-intensive and thorny; it causes considerable emotional involvement. Therefore, it would be feasible to carry it out as a one-time operation, without breaking it down into stages.

Before the end of this year, that is, before the introduction of a profound extended reform, basic rates should be solidly established in enterprises.

In the entire economy, including the tertiary sphere, the rating process may reveal that actual wages of many employees with their compensation included, are too high in relation to the difficulty (requirements) of the jobs. In such cases, the share of excess wages should be clearly defined and further wage increases should be suspended, regardless of the source and criteria for awarding them, until the level corresponding to the difficulty (results of rating) has been reached.

In manufacturing, the inclusion of compensations and other bonuses into basic wage rates should be shouldered by enterprises in full.

### Rating

Enterprises will carry out the rating process on their own, evaluating work on a concrete job on the basis of actual (and not branch, standard, etc.) conditions proceeding from a centrally outlined set of methods. This makes it possible for wages which are based on the results of job evaluation to be realistic and honored and for the rate-scale system to be current. "Rare profession" rates will take into account the situation in the local labor market, low prestige of the job, etc. The need to establish separate bonuses for difficult job conditions will thus cease to exist, whereas the rate-scale system will become more straightforward and comprehensible.

The issue of pay scales especially stirs up emotions. There are suggestions (among others, in ZYCIE GOSPODARCZE, 1982, No 8) that subsector ministries become intermediate links in establishing reference pay scales for their respective enterprises on the basis of centralized reference tables (that is to say, laid down by MPPiSS [Ministry of Labor, Wages and Social Affairs] or the Council of Ministers). To justify this, concern with the unified approach within subsectors is cited.

/Establishing ministerial (subsector) pay scales by the superior echelon is unjustifiable and contradicts the principles and logic of the reform because it is not only the control of wage ratios along vertical lines (subsector-sector arrangements) that is needed. Control along horizontal-vertical lines is even more so./ Shifts of manpower occur less frequently within subsectors than they do within areas where the change of jobs does not entail moving. Shifts of manpower take place between subsectors, sectors and even spheres of the economy. Ministerial regulation of pay scales is, therefore, of little use as a tool of controlling wage ratios and, consequently, the flow of manpower. One more consideration--/the reform calls for reducing the number of subsector ministries, whereas the concept of ministerial pay scales somehow perpetuates the current structure of the central echelon./

What is a "reference pay scale" supposed to mean? This notion can be variously interpreted and is not trivial from the point of view of provisions of the economic reform. Let us consider several versions of such scales:

--the central echelon fixes brackets of wage rates for each category;

--the central echelon fixes only lower limits for each category of classification;

--the central echelon fixes basic wage rates or the corresponding number of points and wage rates (or estimates in points) for the so-called representative and typical positions. For example, in the textile industry, a weaver and a spinner are representative positions; in health care, a physician; in the educational system, a teacher, and so on;

--the central echelon fixes only basic wage rates (initial lowest rates) for the professional-subsector mesh.

The above versions are arranged in the order of increasing flexibility and freedom of enterprises in fixing enterprise pay scales. From the point of view, the third and fourth versions are most attractive and ultimately they should be employed. Fixing of the so-called basic rates or, alternatively of only ratios between them expressed in points in the subsector-professional mesh will make it possible to set basic wage ratios on a macroscale. This is a responsibility of the central echelon. This version takes into account not only the most simple jobs, but also relative differentials in the difficulty of work (requirements imposed by the job) in key (representative) positions in the mesh of professions and positions. This makes it possible to control wages more precisely proceeding from a more objective basis--difficulty of work rather than clout of certain employee groups.

This solution, reinforced by the taxation on income per family member, seems to be adequate, provided that market equilibrium exists. However, while an efficient system of taxing this income is not in place and the pronounced lack of market equilibrium encourages improving results and increasing wages via price movement, there is a real danger of very high income differentials among employees and their families, which is unacceptable to the public. Such a situation results from an uneven initial operation of enterprises.

Therefore, in the immediate future, using the second version is appropriate. The first version should, perhaps, be totally rejected.

Fixing reference pay scales necessitates a simultaneous laying down of guidelines for changing the scales (increasing wage rates), which is a condition for maintaining a flexible growth mechanism. This mechanism should provide protection against distortions which destroy the incentive function of wages. There are two ways to solve this problem. For example, minimum wages can increase mandatorily and automatically by a growth rate fixed in a centralized fashion due to changes in living costs. The rate should be negotiated with trade unions. To preserve a reasonable wage spread, enterprises will have to take care of at least similar increases of wage rates for other categories.

Alternatively, enterprises must have the authority to change wage rates in accordance with the funds available for that purpose by incorporating variable segments of wages related to improvements in productivity. At the same time, /centrally fixed pay scales should be subject to automatic

adjustment of wage rates by the rate corresponding to the growth of living costs and to periodical change due to the average growth of the variable segment of wages related to productivity./ The principle already known from the WOG [large economic organization] system could be accepted, namely, that a share (for example, 50 percent) of the average increase of variable wages is incorporated into basic wage rates if the increase is maintained for 3 years.

This mechanism of pay scales adjustment combines centralized reference scales with those of enterprises and facilitates operating with ratios in a dynamic arrangement.

An apprehension might arise that fixing enterprise pay scales on the basis of reference scales will bring about considerable differences not only among pay scales, but among wages for similar jobs. This is a justifiable apprehension, however, only in the initial short period of applying the scales. A natural tendency to agree on the level of wages will soon emerge among enterprises with similar production profiles and even those with different profiles, but located in the same general area. A similar phenomenon will occur among trade unions. Very soon functions of negotiators will be assumed by groups of enterprises and trade union federations. Associations of enterprises can on many occasions assume the role of employers' groupings negotiating wage and labor issues. However, in certain cases, especially in larger industrial centers, this negotiating arrangement might prove inadequate.

#### Ratios

In the environment of autonomous enterprises, various levers can be used by the central echelon to regulate macrowage ratios, and above all, taxation of income per family member. This kind of taxation should supplant taxes on wages as soon as possible. This arrangement makes it possible to control income differentiation not only along vertical, but along horizontal lines as well, that is, in the intersectorial mesh. It should be borne in mind that many people leave the socialized economy for the private sector due to differences in wages.

The central echelon also regulates by fixing wage ratios, by establishing rating guidelines and pay scales, and by fixing the level of minimum wages and guidelines for indexing. The method of linking wage increases in manufacturing and the service sector has a considerable role to play. Perhaps, a standard rate of increase in the average wage is the sphere of public services and should be established as a ratio to the actual average wage in manufacturing also taking into account payments from the work force fund.

Controlling the wage level and spread cannot be based on a system of privileges.

If the work of a given group is more difficult, this should be reflected by the system of evaluating work, whereas any privilege is a beginning of

renunciation of wage policy rules. This is why further "charters" granting new privileges and variances from [general] principles should not be promulgated if wages rather than conditions on the job, work schedules, etc. are at stake. The above remarks do not apply to so-called preferential treatment, or the opportunity for increasing wage rates in accordance with the situation in the job market (scarcity of a profession, associated, for example, with the low prestige it enjoys). This should make it possible to select work evaluation criteria, assign sectional points as a result of evaluation and establish work rates accurately.

In the environment of autonomous enterprises, it is necessary to carry out a cohesive coordinated wage policy at the central level.

The year 1982 and earlier years have revealed the very acute issue /of the lack of a clearcut division of responsibilities in the sphere of wages/ within the scope of a broadly defined central echelon--the Sejm, the Council of Ministers, the Ministry of Labor, Wages and Social Affairs and subsector ministries. As a possible consequence of this situation, individual solutions in the sphere of wages are still being pursued. Such solutions grant privileges to various socioprofessional groups in no relation to the evaluation of the difficulty and results of their work, that is to say, privileges not justified by a prior comprehensive job rating evaluating differences in labor input. In this way, the so-called "charters" sponsored by individual ministries proliferate, e.g., the school teachers' charter, the miners' charter, the iron and steel workers' charter, the longshoremen's charter and so on. /Specific principles of remuneration established by the central echelon on the occasion of outlining the role, rights and responsibilities of certain vocational groups, proliferate./ For example, the decree on the status of foremen also meddles in their wages, not unlike the laws on higher education, on legal advisors and so on. Such regulations on wage policy in specific subsectors or professions are most often adopted on a certain occasion. They create a state of affairs which cannot be reversed; they undercut from the very outset a comprehensive and cohesive wage policy.

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## MATERIALS SUPPLY PROBLEMS ASSESSED

Warsaw ZYCIE WARSZAWY in Polish 13 Sep 82 p 4

[Interview with Jan Antosik, minister of materials management, by Slawomir Popowski, PAP reporter: "Materials Management Requires Reform"; date and place not specified]

[Text] Since the beginning of the year the economy has been suffering from an extreme lack of many essential raw and other materials. Their shortage often causes the inevitability of drastic production cutbacks. What is our supply situation now, what is threatening us, and what can we expect in the coming months? The chief of materials management, Minister Jan Antosik, answers these questions in an interview given to a PAP reporter.

[Answer] Considerable problems still persist in providing materials management. To be sure, the range [of problems] is met with restraints little by little, but industry still grapples with a lack of certain essential raw and other materials.

In the first 7 months of the year, we had to work with a further drop of 37 percent in supply imports from capitalist countries. For example, the import of crude oil, metallurgical goods and cellulose shrank by half, and iron ore by 33 percent. The drop in imports of raw materials and components for the chemical industry as well as coproduced elements for the electromechanical industry is still steep. On the other hand, a rise in supply imports from socialist countries has been noted; the deliveries of chemical fibers for the textile industry, cellulose paper, paper and synthetic rubber, among others, have increased.

Forecasts for the second half of the year are unfortunately not too optimistic. We cannot count on credits, and we will be able to appropriate for supply imports only as much foreign exchange as we earn in exports, and this is only after allowing for the necessary amount for debt repayment. An improvement of the situation--but only to a certain degree--depends on how the exchange process, brought about through the import demand structure of capitalist countries, will run its course. The question here is: will the share of raw materials imports rise, relative to total imports? And in this case we have,



after all, limited prospects for maneuvering. This means that there will be no special opportunities to increase production in many of the subsectors made dependent on supply and coproduced imports. This is particularly true in the case of the chemical industry and light industry, as well as some branches of the machine industry. There should be a better situation for enterprises utilizing raw and other materials brought in from socialist countries. A further activation of imports should occur in this area in the second half of the year.

[Question] Speaking more concretely, what do we have, and what do we lack the most right now?

[Answer] We are supplied relatively best with raw materials from domestic stocks. We have, above all, coal. Higher coal production enabled us to fully meet domestic demands as well as the subsequent growth of reserves among consumers. Also, no one can complain of a lack of electric power. We do not have a shortage of cement. We do have problems with the remaining raw and other materials. The supply of gasoline remains a troublesome situation. From among the nonferrous metals, we lack tin. This generates a further reduction in the production of galvanized sheet metals, stannic-plumbic binders, bearing alloys, and the like. Furthermore, we are feeling a shortage of aluminum. We also lack storage batteries because of the lack of imported ebonite casings.

In recent months, difficulties in supplying customers with essential types of plastics have likewise increased. Shortages of polyethylene, polypropylene and polyvinyl chloride are occurring. Deliveries of polystyrene are also unable to supply customers' demands; paper and cardboard likewise. The chemical industry, whose production depends on the import of accessories and components from capitalist countries, has extreme difficulties. A shortage of these agents, even at times in small quantities, results in the reduction of paint and varnish, glue, freon, synthetic dye, and artificial fiber production, and the like.

We could drag on this kind of recitation even longer. It is still worth emphasizing that the shortage of raw and other materials is not by any means the only reason why industrial establishments must particularly alter their production. If, for example, we have a shortage of tires now, then it is not at all due to a lack of raw material but, primarily, because there is a labor shortage in the factories that produce them....

[Question] Much is being said about the dependence of the Polish economy on imports. What is the real story?

[Answer] ...there are many misconceptions here that must be explained. In the last year, Poland imported goods for \$431 dollars [per capita]. At the same time, a similar index totaled: in Bulgaria, \$1,182; in Czechoslovakia, \$961; and in the GDR \$1,131. Comparing these numbers one could reach the conclusion that, in comparison to other countries, the dependence of the Polish economy on imports is relatively small. Still, the problem lies elsewhere--in the export ability of the country. Put simply, in order to import, we must also sell. Whereas in the last year the export of our goods decreased \$3.7

billion in comparison to 1980, imports also shrank by about the same, i.e., \$3.6 billion.

In the case of our economy, particular circumstances which give a special character to the question of imports from capitalist countries are also important. First, the range of goods imported from abroad is very extensive. Frequently, these really are not much, simply inexpensive items that nonetheless determine the pace of production. Second, until recently, we imported many goods provided on credit, and now these materials are available practically only for cash. This means that before we buy something, we must first sell. And the third factor that must be considered is the fact that in foreign trade, capitalist countries, especially the United States, are now attempting to achieve their own political aims and are taking advantage of our economic weakness.

I think that, at present, there are three main courses of action, not so much for the benefit of the independence of our economy from imports, but for the assurance of a supply of essential raw and other materials. It is imperative that export production and a recovery in the efficiency of exports take place. Along with this, we must eliminate superfluous imports and, to a greater degree, substitute domestic raw and other materials for them. Finally, the increase of cooperation with socialist countries and joint solving of common problems in the supply of raw and other materials is imperative.

[Question] The courses of action are obvious but, after all, it is difficult to change production practically overnight, to make use of new raw materials that frequently require a change in technology as well. To what degree is this, right now, at all possible?

[Answer] Economic restrictions by Western countries in relation to Poland obviously led to a sharp decrease in supply imports. In the current year, such imports will be 40-50 percent less than in 1980. This is an enormous decline in supply sources and, before long, it probably will be difficult to find some new sources in its place. Especially this year, various steps were taken--and they continue to be taken--in order to alleviate the negative consequences of the import restrictions. We are already using domestic raw materials more widely and, in some cases of restricted imports from capitalist countries, we are substituting imports from socialist countries. It is estimated, for instance--and to some extent this should be an answer to the question raised--that in the first half of the current year, the value of goods produced from domestic raw materials, which are substituted for imports, amounted to about 100 billion zloty.

[Question] Thereby considering we could eventually reach the point at which it becomes evident that we can completely abandon supply imports from capitalist countries....

[Answer] Such an inference would be economic absurdity. In undertaking anti-import actions, we are not at all concerned with some kind of autarky in raw materials. This is simply impossible. We are now operating under special circumstances. The drop in supplies from abroad is, at times, frankly dramatic and our decisions may seem nervous now and then. In the long run, however,



what is essential is not so much the independence of the Polish economy from imports, but its intense technical improvement. We can purchase from abroad only much raw materials as we truly need, however much we can afford and however much is worthwhile to import. Only after providing a response to these three points, after drawing up the exact cost effectiveness (it should be the deciding factor)--can one then take up the decision to change the product type and assortment or also whether to make new investments.

After all, these problems cannot be restricted only to matters of supply imports. The entire area of materials management requires reform. In the past, hardly anyone paid attention to a sensible consumption of raw and other materials. Supply schedules were "drawn up" under the administration of industry. It is now necessary to reverse this reasoning. Economic growth will be possible only at that same rate at which we will support it with supplies of raw and other materials (regardless of the source) and how well we can reduce their consumption. In the opposite case, either we will resign ourselves to stagnation in our economy, or we will be back to where we started.

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END